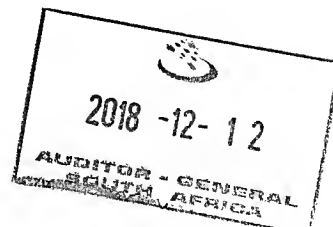


**KNYSNA**  
Municipality  
Munisipaliteit  
uMasipala

**Knysna Municipality**  
Financial statements  
for the year ended 30 June 2018



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

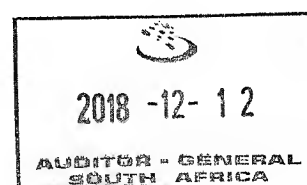
## General Information

### Mayoral committee

	Previous	Current
Executive Mayor	ERJ Bouw-Spies (to 6 June 2018)	M Willemse (from 6 June 2018)
Deputy Executive Mayor	PJ Myers (Chairperson: Finance Governance and Economic Development) (to 25 October 2017)	E van Aswegen (from 6 June 2018)
Speaker	GR Wolmarans	GR Wolmarans
Executive Councillor	L Davis (Chairperson: Technical Services Committee)	L Davis (Chairperson: Technical Services Committee)
Executive Councillor	S Arendse Chairperson : Planning and Integrated Human Settlements) (to 31 October 2017)	V Waxa Chairperson : Planning and Integrated Human Settlements) (from 31 October 2017)
Executive Councillor	ACF Weideman (Chairperson: Community Services Committee) (to 31 October 2017)	S Arends (Chairperson: Community Services Committee) (from 31 October 2017)
Executive Councillor		ACF Weideman (Chairperson: Finance Governance and Economic Development) (from 31 October 2017)

### Councillors

Ward	Current
1	L Davis
2	ACF Weideman
3	MD Skosana
4	V Waxa
5	ER Bouw-Spies
6	EO Van Aswegen
7	MG Matiwane
8	MV Molosi
9	MS Willemse
10	PJ Myers
11	D Pofadder
Proportional	S Arends
Proportional	CD Croutz
Proportional	TM Gombo
Proportional	SI Kwinana
Proportional	MN Naki
Proportional	MW Salaze
Proportional	NA Tswenga
Proportional	L Tyokolo
Proportional	GR Wolmarans
Proportional	MH Young



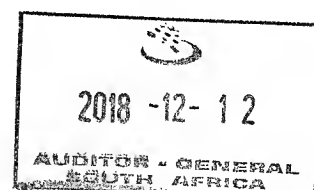
# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## General Information

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<b>Registered office</b>	Civic Centre Clyde Street Knysna 6570
<b>Postal address</b>	PO Box 21 Knysna 6570
<b>Bankers</b>	Nedbank Corporate P O Box 472 Knysna 6570
<b>Auditors</b>	Auditor-General Private Bag X96 Bellville 7535
<b>Contact numbers</b>	Tel: 044 - 302 6300 Fax: 044 - 302 6333
<b>Jurisdiction</b>	Greater Knysna area which includes: Knysna Sedgefield Rheenedal Karatara Brenton Belvidere Knoetzie
<b>Relevant legislation</b>	Constitution of the Republic of South Africa (Act no 108 of 1996) Municipal Finance Management Act (Act no 56 of 2003) Division of Revenue Act The Income Tax Act 58 of 1962 Value Added Tax Act 89 of 1991 Municipal Structures Act (Act no 117 of 1998) Municipal Systems Act (Act no 32 of 2000) Water Services Act (Act no 108 of 1997) Housing Act (Act no 107 of 1997) Municipal Property Rates Act (Act no 6 of 2004) Electricity Act (Act no 41 of 1987) Skills Development Levies Act (Act no 9 of 1999) Employment Equity Act (Act no 55 of 1998) Unemployment Insurance Act (Act no 30 of 1966) Basic Conditions of Employment Act (Act no 75 of 1997)



# Knysna Municipality

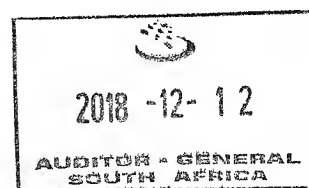
Financial Statements for the year ended 30 June 2018

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Accounting Officer's Responsibilities and Approval

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

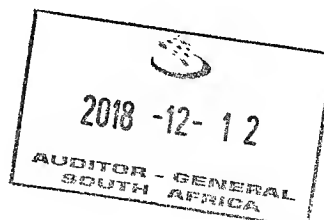
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Knysna Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently auditing and reporting on the municipality's financial statements.

The financial statements set out on pages 5 to 104, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed by:

  
Mr J Douglas  
Acting Municipal Manager



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Statement of Financial Position as at 30 June 2018

	Note(s)	2018 R	2017 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	5,518,580	8,092,714
Long-term investments and receivables	4	-	8,245
Receivables from exchange transactions	5	52,099,027	47,900,153
Receivables from non-exchange transactions	6	70,922,311	62,221,585
VAT receivable	7	17,452,161	10,285,042
Prepayments		2,647,978	-
Unpaid conditional grants and receipts	8	14,981,801	17,338,737
Cash and cash equivalents	9	79,877,042	108,212,939
		<b>243,498,900</b>	<b>254,059,415</b>
<b>Non-Current Assets</b>			
Long-term investments and receivables	4	32,365,128	30,349,355
Investment property	10	76,914,687	77,068,020
Property, plant and equipment	11	1,012,762,822	912,099,600
Intangible assets	12	154,106	169,904
Heritage assets	13	17,435,046	17,435,046
Operating lease asset	14	1,913,910	1,752,479
		<b>1,141,545,699</b>	<b>1,038,874,404</b>
<b>Total Assets</b>		<b>1,385,044,599</b>	<b>1,292,933,819</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Unspent conditional grants and receipts	8	10,314,802	4,897,933
Long-term liabilities	15	18,938,995	14,709,352
Finance lease obligation	16	740,842	237,480
Payables from exchange transactions	17	92,827,537	93,616,296
Consumer deposits	18	12,388,076	11,300,626
Employee benefit obligation	19	29,643,171	26,446,065
Provisions	20	2,022,602	-
		<b>166,876,025</b>	<b>151,207,752</b>
<b>Non-Current Liabilities</b>			
Long-term liabilities	15	136,080,282	128,714,001
Finance lease obligation	16	1,197,857	11,539
Operating lease liability	14	5,975	-
Employee benefit obligation	19	100,910,131	101,380,885
Provisions	20	10,951,327	11,839,510
		<b>249,145,572</b>	<b>241,945,935</b>
<b>Total Liabilities</b>		<b>416,021,597</b>	<b>393,153,687</b>
<b>Net Assets</b>		<b>969,023,002</b>	<b>899,780,132</b>
Reserves			
Capital Replacement Reserve		40,500,000	36,850,669
Accumulated surplus		928,523,002	862,929,463
<b>Total Net Assets</b>		<b>969,023,002</b>	<b>899,780,132</b>



\* See Note 45 & 47

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Statement of Financial Performance

	Note(s)	2018 R	2017 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	335,108,770	321,981,063
Sales of goods and rendering of services		5,204,047	4,486,213
Rental of facilities and equipment	22	4,510,121	5,290,371
Interest received - outstanding debtors		10,544,572	8,027,832
Interest received - external investments		10,301,782	11,105,041
Agency services		3,095,516	2,738,923
Licences and permits		1,671,679	1,755,616
Third Party Payments (Insurance Claims)		4,113,929	1,373,696
Operational revenue	23	1,010,834	1,267,826
<b>Total revenue from exchange transactions</b>		<b>375,561,250</b>	<b>358,026,581</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	203,443,082	187,779,699
<b>Transfer revenue</b>			
Government grants and subsidies	25	170,935,590	162,391,364
Fines, penalties and forfeits	26	92,713,639	108,964,792
Public contributions and donations	27	1,334,797	316,188
<b>Total revenue from non-exchange transactions</b>		<b>468,427,108</b>	<b>459,452,043</b>
<b>Total revenue</b>		<b>843,988,358</b>	<b>817,478,624</b>
<b>Expenditure</b>			
Employee related costs	28	226,731,358	206,770,538
Remuneration of councillors	29	8,468,978	7,674,276
Bad debts written off		197,105	1,897,236
Debt Impairment	30	109,994,826	111,861,161
Depreciation and amortisation	31	29,048,559	27,124,449
Impairment of assets	32	713,733	4,454,854
Finance costs	33	25,556,649	22,593,713
Lease rentals on operating lease	34	10,013,494	9,493,853
Bulk purchases	35	156,923,413	159,756,501
Contracted services	36	121,658,320	152,024,325
Transfers and Subsidies	37	4,722,784	3,731,594
Inventory Consumed	38	48,742,499	31,735,254
Operational costs	39	42,239,106	30,471,627
<b>Total expenditure</b>		<b>785,010,824</b>	<b>769,589,381</b>
<b>Operating surplus</b>		<b>58,977,534</b>	<b>47,889,243</b>
Profit/(loss) on disposal of assets and liabilities		(123,836)	(424,526)
Actuarial gains/(losses)	19	10,425,152	7,482,633
Inventories losses/write-downs		(35,988)	114,252
		<b>10,265,328</b>	<b>7,172,359</b>
<b>Surplus for the year</b>		<b>69,242,862</b>	<b>55,061,602</b>



\* See Note 45 & 47

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Statement of Changes in Net Assets

	Valuation Roll Reserve	Non-Current Provision Reserve	Capital Replacement Reserve	Employee Benefits Reserve	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R	R	R
Opening balance as previously reported	1,648,000	4,738,229	5,000,000	8,408,188	19,734,417	818,731,856	838,526,273
Adjustments							
Correction of errors - Refer to note 47	-	-	-	-	-	6,192,257	6,192,257
Change in accounting policy - refer to note 45	(1,648,000)	(4,738,229)	14,794,417	(8,408,188)	-	-	-
<b>Balance at 01 July 2016 as restated*</b>	-	-	<b>19,794,417</b>	-	<b>19,794,417</b>	<b>824,924,113</b>	<b>844,718,530</b>
Changes in net assets							
Restated surplus for the year - Refer to note 47	-	-	-	-	-	55,061,602	55,061,602
Transfer to / from Funding Policy Reserves	-	-	17,056,252	-	17,056,252	(17,056,252)	-
Total changes	-	-	17,056,252	-	17,056,252	38,005,350	55,061,602
<b>Restated* Balance at 01 July 2017</b>	-	-	<b>36,850,669</b>	-	<b>36,850,669</b>	<b>862,929,471</b>	<b>899,780,140</b>
Changes in net assets							
Surplus for the year	-	-	-	-	-	69,242,862	69,242,862
Transfer to / from Funding Policy Reserves	-	-	3,649,331	-	3,649,331	(3,649,331)	-
Total changes	-	-	3,649,331	-	3,649,331	65,593,531	69,242,862
<b>Balance at 30 June 2018</b>	-	-	<b>40,500,000</b>	-	<b>40,500,000</b>	<b>928,523,002</b>	<b>969,023,002</b>

Note(s)



\* See Note 45 & 47



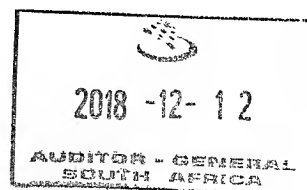
# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Cash Flow Statement

	Note(s)	2018 R	2017 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation and fines revenue		208,522,002	205,307,658
Sale of goods and services		315,681,162	316,895,683
Grants and conditional receipts		178,709,395	149,841,663
Interest income		10,301,782	11,105,041
Other income		15,056,959	12,456,995
		<u>728,271,300</u>	<u>695,607,040</u>
<b>Payments</b>			
Employee costs		(231,917,389)	(210,767,206)
Suppliers		(392,772,302)	(372,758,174)
Finance costs		(14,854,445)	(12,867,748)
		<u>(639,544,136)</u>	<u>(596,393,128)</u>
<b>Net cash flows from operating activities</b>	40	<b>88,727,164</b>	<b>99,213,912</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(126,019,587)	(90,486,945)
Proceeds from sale of Property, plant and equipment	11	-	613,971
Purchase of investment property	10	-	(7,900)
Proceeds from sale of investment property	10	-	877,193
Purchase of other intangible assets	12	-	(154,239)
Movement in Long-term investments and receivables	4	(2,015,781)	(3,000,187)
<b>Net cash flows from investing activities</b>		<b>(128,035,368)</b>	<b>(92,158,107)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term liabilities	15	36,572,950	36,572,950
Repayment of long-term liabilities		(24,977,026)	(10,351,226)
Finance lease payments		(623,617)	(631,090)
<b>Net cash flows from financing activities</b>		<b>10,972,307</b>	<b>25,590,634</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(28,335,897)</b>	<b>32,646,439</b>
Cash and cash equivalents at the beginning of the year		108,212,939	75,566,500
<b>Cash and cash equivalents at the end of the year</b>	9	<b>79,877,042</b>	<b>108,212,939</b>

\* See Note 45 & 47



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Property rates	200,734,000	4,335,400	205,069,400	203,443,082	(1,626,318)	Difference less than 10%
Service charges	344,605,000	(13,734,500)	330,870,500	335,108,770	4,238,270	57.1
Investment revenue	13,240,500	11,777,780	25,018,280	20,846,353	(4,171,927)	57.2
Transfers recognised - operational	140,596,120	(1,373,513)	139,222,607	106,115,903	(33,106,704)	57.3
Other own revenue	113,981,000	11,440,280	125,421,280	113,494,738	(11,926,542)	57.4
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>813,156,620</b>	<b>12,445,447</b>	<b>825,602,067</b>	<b>779,008,846</b>	<b>(46,593,221)</b>	
<b>Expenditure by type</b>						
Employee costs	(220,119,467)	(12,331,447)	(232,450,914)	(216,306,205)	16,144,709	Difference less than 10%
Remuneration of councillors	(8,301,500)	(167,540)	(8,469,040)	(8,468,978)	62	Difference below R 1mil
Debt impairment	(82,993,000)	(27,840,000)	(110,833,000)	(109,994,826)	838,174	Difference below R 1mil
Depreciation & asset impairment	(30,898,600)	(300,800)	(31,199,400)	(29,762,292)	1,437,108	Difference less than 10%
Finance costs	(19,502,000)	(4,203,870)	(23,705,870)	(25,556,649)	(1,850,779)	Difference less than 10%
Materials and bulk purchases	(189,370,636)	(12,419,044)	(201,789,680)	(205,665,912)	(3,876,232)	Difference less than 10%
Transfers and grants	(2,280,000)	(5,995,370)	(8,275,370)	(4,722,784)	3,552,586	57.5
Contracted services	(29,675,962)	(92,487,378)	(122,163,340)	(121,658,320)	505,020	Difference less than 10%
Other expenditure	(228,839,072)	170,555,592	(58,283,480)	(52,449,705)	5,833,775	57.6
<b>Total expenditure</b>	<b>(811,980,237)</b>	<b>14,810,143</b>	<b>(797,170,094)</b>	<b>(774,585,671)</b>	<b>22,584,423</b>	
<b>Deficit</b>	<b>1,176,383</b>	<b>27,255,590</b>	<b>28,431,973</b>	<b>4,423,175</b>	<b>(24,008,798)</b>	
Transfers recognised - capital	58,100,880	10,507,040	68,607,920	64,819,687	(3,788,233)	Difference less than 10%
<b>Surplus after capital transfers &amp; contributions</b>	<b>59,277,263</b>	<b>37,762,630</b>	<b>97,039,893</b>	<b>69,242,862</b>	<b>(27,797,031)</b>	
<b>Surplus for the year</b>	<b>59,277,263</b>	<b>37,762,630</b>	<b>97,039,893</b>	<b>69,242,862</b>	<b>(27,797,031)</b>	



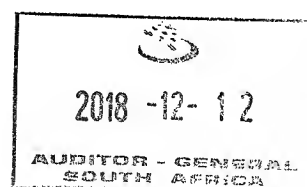
# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R		
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash	107,283,507	12,864,103	120,147,610	79,877,042	(40,270,568)	57.7
Consumer debtors	138,202,889	(103,066,031)	35,136,858	51,301,885	16,165,027	57.8
Other debtors	16,027,162	91,498,732	107,525,894	106,801,393	(724,501)	Difference below R 1mil
Current portion of long-term receivables	65,491	(57,246)	8,245	-	(8,245)	Difference below R 1mil
Inventory	6,546,209	2,032,075	8,578,284	5,518,580	(3,059,704)	57.9
	<b>268,125,258</b>	<b>3,271,633</b>	<b>271,396,891</b>	<b>243,498,900</b>	<b>(27,897,991)</b>	
<b>Non-Current Assets</b>						
Long-term receivables	160,823	(160,823)	-	-	-	
Investments	27,130,977	3,218,378	30,349,355	32,365,128	2,015,773	Difference less than 10%
Investment property	99,307,600	(22,304,099)	77,003,501	76,914,687	(88,814)	Difference below R 1mil
Property, plant and equipment	1,135,212,440	(98,047,375)	1,037,165,065	1,012,762,823	(24,402,242)	Difference less than 10%
Heritage assets	19,057,248	-	19,057,248	17,435,046	(1,622,202)	Difference less than 10%
Intangible	6,852	149,852	156,704	154,106	(2,598)	Difference below R 1 mil
Other non-current assets	1,801,231	(1,670,954)	130,277	1,913,910	1,783,633	57.10
	<b>1,282,677,171</b>	<b>(118,815,021)</b>	<b>1,163,862,150</b>	<b>1,141,545,700</b>	<b>(22,316,450)</b>	
<b>Total Assets</b>	<b>1,550,802,429</b>	<b>(115,543,388)</b>	<b>1,435,259,041</b>	<b>1,385,044,600</b>	<b>(50,214,441)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Borrowing	15,209,851	(263,019)	14,946,832	19,679,837	4,733,005	57.11
Consumer deposits	12,146,569	(167,903)	11,978,666	12,388,076	409,410	Difference below R 1 mil
Trade and other payables	96,543,672	12,848,822	109,392,494	103,142,345	(6,250,149)	Difference less than 10%
Provisions	26,611,836	1,420,992	28,032,828	31,665,773	3,632,945	57.12
	<b>150,511,928</b>	<b>13,838,892</b>	<b>164,350,820</b>	<b>166,876,031</b>	<b>2,525,211</b>	
<b>Non-Current Liabilities</b>						
Borrowing	120,131,281	17,940,185	138,071,466	137,284,115	(787,351)	Difference less than R 1 mil
Provisions	139,115,752	(1,133,530)	137,982,222	111,861,458	(26,120,764)	57.12
	<b>259,247,033</b>	<b>16,806,655</b>	<b>276,053,688</b>	<b>249,145,573</b>	<b>(26,908,115)</b>	
<b>Total Liabilities</b>	<b>409,758,961</b>	<b>30,645,547</b>	<b>440,404,508</b>	<b>416,021,604</b>	<b>(24,382,904)</b>	
<b>Net Assets</b>	<b>1,141,043,468</b>	<b>(146,188,935)</b>	<b>994,854,533</b>	<b>969,022,996</b>	<b>(25,831,537)</b>	



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Community wealth/equity</b>						
Accumulated Surplus/(Deficit)	1,039,724,000	(136,720,137)	903,003,863	928,522,996	25,519,133	Difference less than 10%
Reserves	101,319,468	(9,468,798)	91,850,670	40,500,000	(51,350,670)	57.13
<b>Total community wealth/equity</b>	<b>1,141,043,468</b>	<b>(146,188,935)</b>	<b>994,854,533</b>	<b>969,022,996</b>	<b>(25,831,537)</b>	

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Ratepayers and other	629,882,817	(83,118,047)	546,764,770	538,172,672	(8,592,098)	Difference less than 10%
Government grants and conditional receipts	198,697,000	9,133,527	207,830,527	178,709,395	(29,121,132)	57.14
Interest	13,054,783	9,756,027	22,810,810	10,301,782	(12,509,028)	57.15
	<b>841,634,600</b>	<b>(64,228,493)</b>	<b>777,406,107</b>	<b>727,183,849</b>	<b>(50,222,258)</b>	

##### Payments

Suppliers and employees	(676,306,817)	69,260,496	(607,046,321)	(619,966,907)	(12,920,586)	Difference less than 10%
Finance charges	(19,502,000)	(4,203,870)	(23,705,870)	(14,854,445)	8,851,425	57.16
Transfers and Grants	(2,280,000)	(5,995,370)	(8,275,370)	(4,722,784)	3,552,586	57.17
	<b>(698,088,817)</b>	<b>59,061,256</b>	<b>(639,027,561)</b>	<b>(639,544,136)</b>	<b>(516,575)</b>	

**Net cash flows from operating activities**      **143,545,783**      **(5,167,237)**      **138,378,546**      **87,639,713**      **(50,738,833)**

#### Cash flows from investing activities

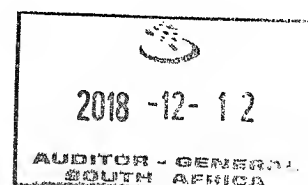
##### Receipts

Proceeds on disposal of assets	500,000	(500,000)	-	-	-	
Decrease (increase) in non-current investments	-	-	-	(2,015,781)	(2,015,781)	57.18
	<b>500,000</b>	<b>(500,000)</b>	<b>-</b>	<b>(2,015,781)</b>	<b>(2,015,781)</b>	

##### Payments

Capital assets	(137,512,094)	1,044,254	(136,467,840)	(126,019,587)	10,448,253	Difference less than 10%
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**Net cash flows from investing activities**      **(137,012,094)**      **544,254**      **(136,467,840)**      **(128,035,368)**      **8,432,472**



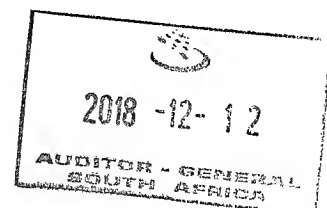
# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Cash flows from financing activities</b>						
<b>Receipts</b>						
Borrowing long term/refinancing	38,569,614	(15,106,769)	23,462,845	36,572,950	13,110,105	57.19
Increase (decrease) in consumer deposits	730,621	(52,581)	678,040	1,087,451	409,411	Difference below R 1 mil
	<b>39,300,235</b>	<b>(15,159,350)</b>	<b>24,140,885</b>	<b>37,660,401</b>	<b>13,519,516</b>	
<b>Payments</b>						
Repayment of borrowing	(14,116,916)	(4)	(14,116,920)	(25,600,643)	(11,483,723)	57.19
<b>Net cash flows from financing activities</b>	<b>25,183,319</b>	<b>(15,159,354)</b>	<b>10,023,965</b>	<b>12,059,758</b>	<b>2,035,793</b>	
Net increase/(decrease) in cash held	31,717,008	(19,782,337)	11,934,671	(28,335,897)	(40,270,568)	
Cash/cash equivalents at the year begin:	75,566,499	32,646,440	108,212,939	108,212,939	-	
<b>Cash and cash equivalents at the end of the year</b>	<b>107,283,507</b>	<b>12,864,103</b>	<b>120,147,610</b>	<b>79,877,042</b>	<b>(40,270,568)</b>	



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 45 Changes in accounting policy.

#### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality and are rounded to the nearest South African Rand.

#### 1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Materiality

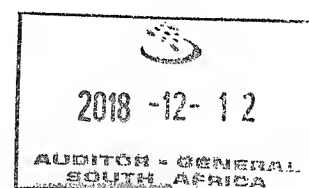
Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not necessarily correlate with the external auditor's materiality.

#### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in conformity with GRAP, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### Impairment of receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.



## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides were used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

#### Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

#### Intangible assets

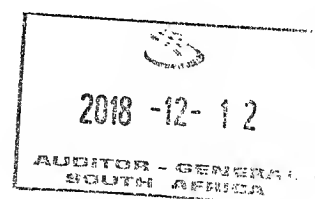
The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

#### Post-retirement medical obligations, long service awards and ex-gratia pension benefits

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material. Additional disclosure of these estimates of provisions and contingent liabilities are included in note 20 - Provisions and note 43 - Contingencies.

#### Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers are utilised annually to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates linked to appropriate government bond rates were used to calculate the effect of time value of money.

#### Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

### 1.5 Investment property

#### Initial Recognition

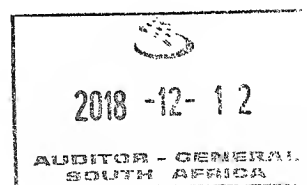
Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost of the investment property can be measured reliably.

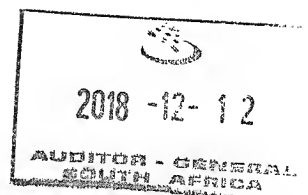
Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use.







## Accounting Policies

### 1.5 Investment property (continued)

#### Subsequent Measurement - Cost model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	100 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (refer to note 10).

Investment property is not used as security unless stated otherwise in the notes.

### 1.6 Property, plant and equipment

#### Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

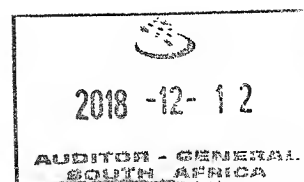
Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

# Knysna Municipality

Financial Statements for the year ended 30 June 2018



## Accounting Policies

### 1.6 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	None	Indefinite
Buildings	Straight line	100 years
Infrastructure - Sewerage	Straight line	10 - 100 years
Infrastructure - Electricity	Straight line	10 - 100 years
Infrastructure - Water	Straight line	10 - 182 years
Infrastructure - Roads	Straight line	10 - 102 years
Infrastructure - Security measures	Straight line	5 - 80 years
Community asset	Straight line	5 - 100 years
Leased assets	Straight line	2 - 6 years
Other assets - Bins and containers	Straight line	15 years
Other assets - Other	Straight line	3 - 100 years
Other assets - Office Equipment	Straight line	2 - 35 years
Other assets - Vehicles and specialised vehicles	Straight line	7 - 50 years

The residual value, and the useful life and depreciation method of each asset are assessed based on the occurrence of certain indicators. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in the Statement of Financial Performance unless it is included in the carrying amount of another asset.

Property, plant and equipment are reviewed for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Accounting Policies

### 1.6 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.7 Intangible assets

#### Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

#### Subsequent Measurement - Cost model

Intangible assets are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### Amortisation and impairment

Amortisation is charged so as to write-off the cost of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are assessed based on the occurrence of certain indicators, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

Item	Useful life
Computer software and website	5 - 10 years



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.7 Intangible assets (continued)

#### Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (refer to note 13).

#### Initial recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost of the asset can be measured reliably.

#### Initial measurement

Heritage assets are initially measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement - Cost model

After recognition as an asset, a class of heritage assets is carried at cost less any accumulated impairment losses.

Heritage assets are not depreciated.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.9 Financial instruments

Financial instruments recognised on the Statement of Financial Position include receivables, cash and cash equivalents, annuity loans and payables and non-current investments.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

##### Class

Long-term investments and receivables  
Receivables from exchange transactions  
Cash and cash equivalents

##### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

##### Class

Long-term liabilities  
Trade and other payables from exchange transactions

##### Category

Financial liability measured at amortised cost  
Financial liability measured at amortised cost

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Receivables

Receivables are classified as financial assets at amortised cost, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

For amounts due from receivable carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant at the end of each reporting period. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is recognised in the surplus or deficit.

The present value of the estimated future cash flows is discounted at the original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the original effective interest rate.

#### Payables and long term liabilities

Financial liabilities consist of payables and long term liabilities. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### Cash and cash equivalents

Cash and Cash Equivalents are initially measured at fair value. Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

#### Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

#### Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Derecognition

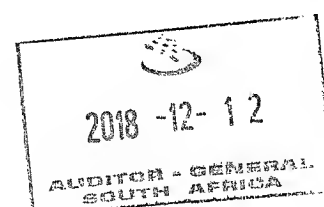
##### Financial assets

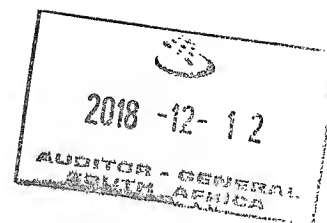
The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.





## Accounting Policies

### 1.9 Financial instruments (continued)

#### Financial liabilities

A financial liability (or a part of a financial liability) is derecognised from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance note 1.24

#### Offsetting of financial instruments

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.10 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Impairment losses

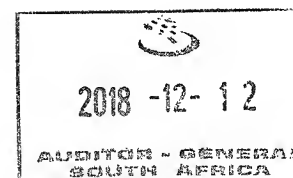
The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

# Knysna Municipality

Financial Statements for the year ended 30 June 2018



## Accounting Policies

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### 1.10 Statutory receivables (continued)

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

#### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

### 1.11 Taxes - Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

From 1 April 2018 value added tax is levied at the standard rate of 15% on the supply of goods and services.

Value added tax is recognised on the payments basis.

### 1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

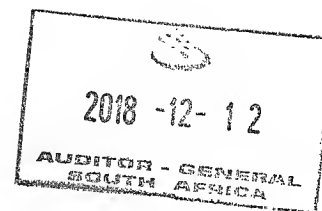
Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined revenue and actual payments received will give rise to an asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.



**1.12 Leases (continued)****Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**1.13 Inventories****Initial measurement**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

**Subsequent measurement**

Inventories, consisting of consumable stores, maintenance materials and water are subsequently measured at the lower of cost and net realisable value.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

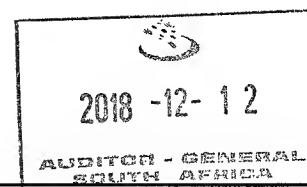
The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**1.14 Impairment of cash-generating assets**

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.



### 1.14 Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

#### (a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

#### (b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## Accounting Policies

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### 1.14 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.15 Impairment of non-cash-generating assets

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

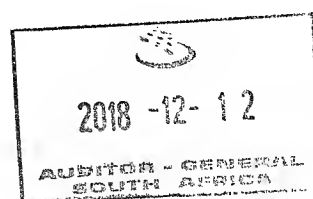
In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

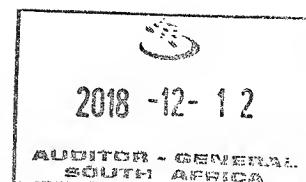
#### (a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

#### (b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.



**1.15 Impairment of non-cash-generating assets (continued)****Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approaches, depending on the nature of the asset in question:

**Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

**Restoration cost approach**

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

**Service units approach**

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

**Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

**Reversal of an impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

**1.16 Share capital / contributed capital**

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

## Accounting Policies

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### 1.17 Employee benefits

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by employees.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Long service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

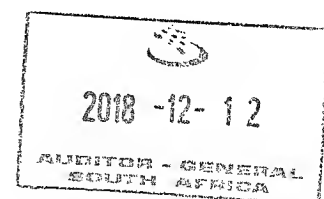
Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs.

#### Accrual for staff leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

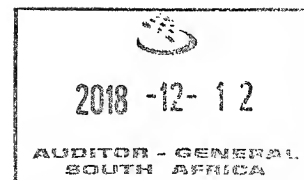
Accumulated leave is vesting.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Accounting Policies



### 1.17 Employee benefits (continued)

#### Staff bonuses accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### Provision for performance bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. The Municipality's performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

#### Post-retirement medical obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

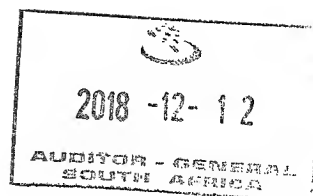
#### Ex gratia gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

#### Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable.

**Accounting Policies**

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**1.17 Employee benefits (continued)****Post-employment benefits: Defined contribution plans**

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

**Post-employment benefits: Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

**1.18 Unspent conditional grants and receipts**

Conditional grants and receipts are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

A liability for unspent conditional grants and receipts is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

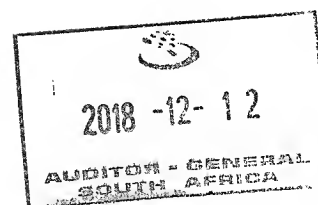
Unspent conditional grants and receipts are not considered to be financial instruments as there are no amount to be settled through cash or another financial instrument as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this liability:

- Unspent conditional grants are recognised as a liability when the grant is received.

# Knysna Municipality

Financial Statements for the year ended 30 June 2018



## Accounting Policies

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### 1.18 Unspent conditional grants and receipts (continued)

- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the liability is invested as individual investment or part of the operating account of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.19 Unpaid conditional grants and receipts

Unpaid conditional grants are assets in terms of GRAP that are separately reflected on the Statement of Financial Position. The asset is recognised when the municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

### 1.20 Provisions and contingencies

#### Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

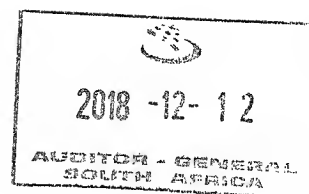
Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an finance cost.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for deficits arising from future operating activities.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.



**Accounting Policies**

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**1.20 Provisions and contingencies (continued)****Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Contingencies are disclosed in note 43.

Management judgement is required when recognising and measuring contingent liabilities.

**1.21 Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.22 Internal reserves****Capital replacement reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

**Employee benefits reserve**

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus. The municipality will only start utilising the reserve once the related provision is fully cash-backed.

**Non-current provisions reserve**

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions. An initial contribution equal to the current provisions, as well as 20% of the prior year balance of the non-current provision is made until the necessary funding level is obtained. The municipality will only start utilising the reserve once the related provision is fully cash-backed.

**Valuation roll reserve**

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation. The Valuation Reserve is increased and the accumulated surplus is debited by a corresponding amount when contributions are made towards the reserve. The reserve is reduced when the reserve is utilised and the accumulated surplus is credited by a corresponding amount.

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.23 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectibility is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would give rise to an impairment of the receivable and a separate expense to be recognised.

#### Measurement

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Service charges

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created based on past patterns. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

#### Pre-paid electricity

Revenue from the sale of electricity prepaid meter cards is initially recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. Subsequently, the pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position in order to only recognise pre-paid electricity consumed.

#### Interest earned

Interest revenue is recognised in surplus and deficit as it accrues, using the effective interest rate method.

#### Rentals received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

#### Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.23 Revenue from exchange transactions (continued)

#### Agency services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

#### Third party payments

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and it is probable that inflow will occur and it is not being offset against the related expenses of repairs or renewals of the impaired assets.

### 1.24 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly installments.

#### Fines

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the offence occurs to the extent that the municipality expects legal entitlement.

#### Public donations and contributions

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.24 Revenue from non-exchange transactions (continued)

#### Revenue from recovery of unauthorised, irregular and fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### Unconditional grants

Grants without any conditions attached are recognised as revenue when the grant is receivable.

#### Conditional grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

The liability is transferred to revenue as and when the conditions attached to the grant are met.

#### Other receipts

All unclaimed deposits are initially recognised as a liability. After 12 months all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

### 1.25 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.26 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.

### 1.29 Budget information

The Municipality is subject to budgetary limits in the form of a council approved budget, which is given effect through authorising legislation.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2017 to 30/06/2018.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Explanations for material variances between the final budget amounts and comparable actual amounts are included in the Notes to the Financial Statements. Material variances are being defined by Management as 10% of a specific line-item with a minimum threshold of R1 million.

Explanations for variances between the approved and final budget are included in the Notes to the Financial Statements as well as the Statements of Comparison of Budget and Actual Amounts.

### 1.30 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

The Municipality previously resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or entity:

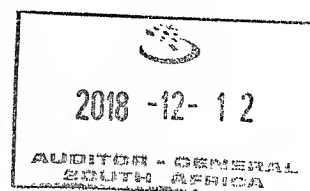
- with the ability to control or jointly control the other party;
- or exercise significant influence over the other party in making financial and operating decisions;
- or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.30 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that members of management in their dealings with the municipality.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

### 1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

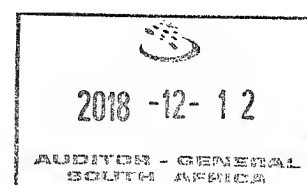


# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>2. New standards and interpretations</b>		
<b>2.1 Standards and interpretations issued not yet effective</b>		
The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:		
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	Unknown	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	Unknown	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	Unknown	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	Unknown	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	Unknown	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	Unknown	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Not expected to impact results but may result in additional disclosure
• GRAP 20: Related parties	01 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Not expected to impact results but may result in additional disclosure
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	Unknown	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	Unknown	Unlikely there will be a material impact



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>3. Inventories</b>		
Consumable stores	2,270,191	1,288,175
Maintenance materials	2,604,034	6,198,447
Water	644,355	606,092
	<b>5,518,580</b>	<b>8,092,714</b>
Dormant and slow moving stock at year-end	34,839	28,939
Inventories recognised as an expense during the year	13,986,889	14,184,840
Consumables stores materials written down due to losses as identified during the annual stock count	-	1,144
Consumable stores materials surpluses identified during the annual stores count	104,993	70,136
<b>Inventory pledged as security</b>		
No inventory assets were pledged as security for liabilities.		
<b>4. Long-term investments and receivables</b>		
<b>At amortised cost</b>		
Fixed Deposits	32,358,328	30,342,555
Staff Housing Loans	3,866	3,859
Old Age Homes / Creche	426,245	426,245
Sundry deposits	6,800	6,800
Eastford Ridge Public Contributions	4,386	4,386
	<b>32,799,625</b>	<b>30,783,845</b>
Impairments	(434,497)	(426,245)
	<b>32,365,128</b>	<b>30,357,600</b>
<b>Non-current assets</b>		
At amortised cost	<b>32,365,128</b>	<b>30,349,355</b>
<b>Current assets</b>		
At amortised cost	-	8,245

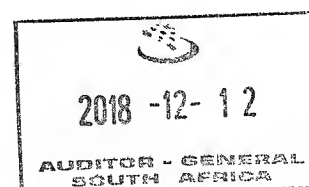
### Fixed Deposits

Included in Non-Current Investments is the Investec Fixed Deposit (Acc 021941420) of R 32,358,328 (2017: R 30,342,555) which have been pledged to DBSA as guarantees on external loans taken up. Refer to note 15. These loans are non-current and consequently it is highly unlikely that the Investment will be redeemable in the following financial year.

Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

### Staff Housing Loans

Staff housing loans are no longer granted. The outstanding amount relates to prior years and is impaired.



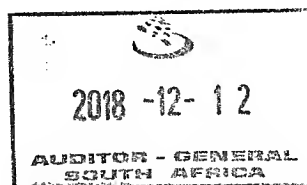


# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>4. Long-term investments and receivables (continued)</b>		
<b>Old Age Homes / Creche</b>		
New loans are not granted to organisations. The loans are repayable over periods up to forty years at a rate of 1% per annum, with the last loan redeemable in 2032.		
<b>Eastford Ridge Public Contributions</b>		
The Home Owners Associations in Eastford agreed with the municipality to contribute an amount towards the cost of building a new road to their developments. The asset vests in the municipality. The agreement provides for a total cost to be contributed by the Associations over a period of maximum 3 years. The amounts stated above represents the balance of the contributions.		
<b>Financial assets at amortised cost impaired</b>		
The allowance for impairment on financial assets exists due to the possibility that not all these debts will be recovered. Financial assets and amortised cost were assessed individually and grouped together at the Statement of Financial position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.		
As of 30 June 2018, financial assets of R 434,497 (2017: R 426,245) were impaired and provided for.		
<b>Reconciliation of provision for impairment of financial assets at amortised cost</b>		
Opening balance	426,245	426,245
Provision for impairment	8,252	-
	<b>434,497</b>	<b>426,245</b>
<b>5. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	36,072,875	36,997,404
Water	72,067,943	47,849,497
Sewerage	24,816,273	17,393,935
Refuse	26,300,178	18,947,091
Housing rental	6,878,261	7,474,602
Other (Sundry amounts)	6,696,620	5,694,206
	<b>172,832,150</b>	<b>134,356,735</b>
<b>Less: Allowance for impairment</b>		
Electricity	(8,377,319)	(8,295,552)
Water	(55,443,812)	(38,870,785)
Sewerage	(21,829,379)	(14,216,332)
Refuse	(23,414,986)	(15,858,130)
Housing rental	(5,768,149)	(6,593,436)
Other (Sundry amounts)	(5,899,478)	(2,622,347)
	<b>(120,733,123)</b>	<b>(86,456,582)</b>
<b>Net balance</b>		
Electricity	27,695,556	28,701,852
Water	16,624,131	8,978,712
Sewerage	2,986,894	3,177,603
Refuse	2,885,192	3,088,961
Housing rental	1,110,112	881,166
Other (Sundry amounts)	797,142	3,071,859
	<b>52,099,027</b>	<b>47,900,153</b>

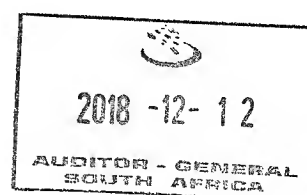


# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

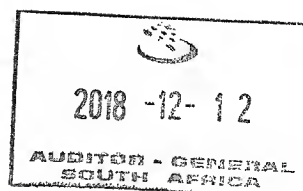
	2018 R	2017 R
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	21,849,052	23,704,676
31 - 60 days	3,143,575	3,295,493
61 - 90 days	1,398,477	1,221,344
91+ days	9,681,772	8,775,891
Allowance for impairment	(8,377,320)	(8,295,552)
	<b>27,695,556</b>	<b>28,701,852</b>
<b>Water</b>		
Current (0 -30 days)	8,823,674	4,417,584
31 - 60 days	2,887,850	2,274,564
61 - 90 days	2,582,746	1,598,868
91+ days	57,773,673	39,558,481
Allowance for impairment	(55,443,812)	(38,870,785)
	<b>16,624,131</b>	<b>8,978,712</b>
<b>Sewerage</b>		
Current (0 -30 days)	1,387,682	745,473
31 - 60 days	400,833	393,221
61 - 90 days	701,089	300,243
91+ days	22,326,669	15,954,998
Allowance for impairment	(21,829,379)	(14,216,332)
	<b>2,986,894</b>	<b>3,177,603</b>
<b>Refuse</b>		
Current (0 -30 days)	1,471,812	1,053,108
31 - 60 days	561,450	469,291
61 - 90 days	521,729	348,913
91+ days	23,745,188	17,075,779
Allowance for impairment	(23,414,987)	(15,858,130)
	<b>2,885,192</b>	<b>3,088,961</b>
<b>Housing rental</b>		
Current (0 -30 days)	440,204	366,319
31 - 60 days	193,857	205,892
61 - 90 days	117,410	193,021
91+ days	6,126,790	6,709,380
Allowance for impairment	(5,768,149)	(6,593,446)
	<b>1,110,112</b>	<b>881,166</b>



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements



	2018 R	2017 R
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Other (sundry)</b>		
Current (0 -30 days)	381,708	193,595
31 - 60 days	119,811	166,223
61 - 90 days	167,500	177,578
91+ days	6,027,600	5,156,800
Allowance for impairment	(5,899,477)	(2,622,337)
	<b>797,142</b>	<b>3,071,859</b>
<b>Total</b>		
Current (0 -30 days)	34,354,132	30,480,755
31 - 60 days	7,307,376	6,804,684
61 - 90 days	5,488,951	3,839,967
91+ days	125,681,692	93,231,329
Allowance for impairment	(120,733,124)	(86,456,582)
	<b>52,099,027</b>	<b>47,900,153</b>

### Summary of debtors by customer classification

	Residential, Industrial & Commercial	Other debtors	National and Provincial Government	Total
<b>30 June 2018</b>				
Total receivables	167,746,182	2,372,298	2,713,670	172,832,150
Less: Allowance for impairment	(119,085,272)	(1,647,851)	-	(120,733,123)
	<b>48,660,910</b>	<b>724,447</b>	<b>2,713,670</b>	<b>52,099,027</b>
<b>30 June 2017</b>				
Total receivables	130,818,746	1,127,629	2,410,360	134,356,735
Less: Allowance for impairment	(85,662,151)	(794,431)	-	(86,456,582)
	<b>45,156,595</b>	<b>333,198</b>	<b>2,410,360</b>	<b>47,900,153</b>

### Credit quality of receivables from exchange transactions

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Concentrations of credit risk with respect to trade receivables are limited due to the customer base being large and unrelated. The municipality's historical experience in collection of receivables transactions falls within recorded allowances. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

### Receivables from exchange transactions past due but not impaired

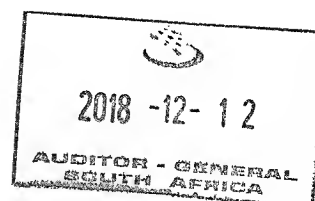
All services are payable within 30 days from the invoice date. At 30 June 2018, R 18,754,278 (2017: R 20,780,516) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	5,600,206	6,065,581
2 months past due	13,154,072	14,714,935

# Knysna Municipality

Financial Statements for the year ended 30 June 2018



## Notes to the Financial Statements

	2018 R	2017 R
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Receivables from exchange transactions impaired</b>		
As of 30 June 2018, consumer debtors of R 120,733,123 (2017: R 86,456,582) were impaired and provided for.		
<b>Reconciliation of allowance for impairment of receivables from exchange transactions</b>		
Opening balance	(86,456,582)	(58,651,360)
Allowance for impairment	(34,276,541)	(27,805,222)
	<b>(120,733,123)</b>	<b>(86,456,582)</b>
<b>6. Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Rates	64,305,965	50,993,690
Fines	120,815,791	132,151,514
Miscellaneous	2,191,632	3,006,748
	<b>187,313,388</b>	<b>186,151,952</b>
<b>Less: Allowance for impairment</b>		
Rates	(18,851,183)	(18,585,032)
Fines	(97,539,894)	(105,345,335)
	<b>(116,391,077)</b>	<b>(123,930,367)</b>
<b>Net balance</b>		
Rates	45,454,782	32,408,658
Fines	23,275,897	26,806,179
Miscellaneous	2,191,632	3,006,748
	<b>70,922,311</b>	<b>62,221,585</b>
<b>Ageing of receivables from non-exchange transactions:</b>		
<b>Rates</b>		
Current (0 - 30 days)	12,906,621	8,788,303
31 - 60 days	3,598,562	2,639,529
61 - 90 days	2,093,060	1,529,740
91+ days	45,707,722	38,036,118
	64,305,965	50,993,690
Less: Allowance for impairment	(18,851,183)	(18,585,032)
	<b>45,454,782</b>	<b>32,408,658</b>
<b>Fines and Other</b>		
Current (0 -30 days)	8,242,382	6,981,698
31 - 60 days	6,844,650	6,133,650
61 - 90 days	5,540,650	9,049,690
91+ days	102,379,741	112,993,224
	123,007,423	135,158,262
Less: Allowance for impairment	(97,539,894)	(105,345,335)
	<b>25,467,529</b>	<b>29,812,927</b>

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 6. Receivables from non-exchange transactions (continued)

#### Credit quality of receivables from non-exchange transactions

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Concentrations of credit risk with respect to trade receivables are limited due to the customer base being large and unrelated. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

#### Receivables from non-exchange transactions impaired

As of 30 June 2018, other receivables from non-exchange transactions of R 116,391,077 (2017: R 123,930,367) were impaired and provided for.

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	123,930,367	110,078,827
Provision for impairment	77,991,357	87,475,703
Amounts written off as uncollectible	(85,530,649)	(73,624,163)
	<b>116,391,075</b>	<b>123,930,367</b>

In terms of the requirements of GRAP 23 and IGRAP1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue. The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. The provision for impairment is based on current and past collection rates applicable to fines. Any fine reductions or cancellations subsequent to the financial year-end is recorded as a write off against the provision raised.

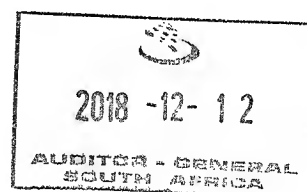
All Non-Government debtors were either specifically impaired or subject to collective impairment.

Debts are required to be settled after 30 days. Interest is charged on all classes of receivables except fines and other receivables at prime +1%.

### 7. VAT receivable

VAT	17,452,161	10,285,042
VAT payable	(16,503,281)	(12,802,773)
Less: Contribution to provision for impairment of trade receivables from exchange transactions	12,898,799	10,617,475
VAT receivable	13,285,119	9,499,796
Subtotal	9,680,637	7,314,498
VAT receivable / (payable) to the Receiver of Revenue - Refer to note 53	7,771,524	2,970,544
	<b>17,452,161</b>	<b>10,285,042</b>

VAT is payable on the payment basis. Only once payment is received from debtors is VAT paid over to SARS.



# Knysna Municipality

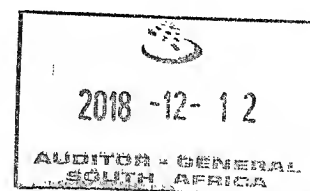
Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>8. Unspent conditional grants and receipts</b>		
<b>Unspent Grants and receipts</b>		
National Government Grants	36,663	329,563
Provincial Government Grants	6,318,420	3,327,266
Unspent public contributions and donations: Knysna Fire Disaster Relief Fund	3,959,719	1,241,107
	<b>10,314,802</b>	<b>4,897,936</b>
<b>Less: Unpaid Grants</b>		
Provincial Government Grants	14,981,801	17,338,738
<b>Net unspent/(unpaid) conditional grants and receipts</b>	<b>(4,666,999)</b>	<b>(12,440,802)</b>
<b>Unspent and unpaid conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
National: Integrated National Electrification Program Grant (INEP)	-	283,669
National: Neighbourhood Development Partnership Grant (NDPG)	36,663	45,894
Provincial: Integrated Housing and Human Settlement Grant (IHHS)	(14,981,801)	(17,338,738)
Provincial: Other Provincial Grants	6,318,420	3,327,266
Unspent public contributions and donations: Knysna Fire Disaster Relief Fund	3,959,719	1,241,107
	<b>(4,666,999)</b>	<b>(12,440,802)</b>

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

Also refer to appendix "B" for a reconciliation of grants from other sources. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 8. Unspent conditional grants and receipts (continued)

#### Equitable share

Current year receipts	70,834,564	62,982,000
Conditions met - transferred to revenue - operating	(70,834,564)	(62,982,000)
	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

An amount of R 329 564 of Equitable share was withheld during the financial year, due to unspent grants in the previous financial year.

#### National: Financial Management Grant (FMG)

Current year receipts	1,550,000	1,475,000
Conditions met - transferred to revenue - operating	(1,550,000)	(1,475,000)
	-	-

The FMG grant is a conditional grant to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

#### National: Municipal Infrastructure Grant (MIG)

Opening balance	-	5,359,108
Current year receipts	25,408,000	23,891,000
Conditions met - transferred to revenue - operating	(3,632,724)	(3,134,346)
Conditions met - transferred to revenue - capital	(21,775,276)	(26,115,762)
	-	-

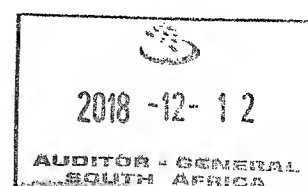
The MIG grant is a conditional grant to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

#### National: Integrated National Electrification Program Grant (INEP)

Opening balance	283,670	222,038
Current year receipts	3,000,000	3,001,000
Conditions met - transferred to revenue - operating	(381,711)	(329,967)
Conditions met - transferred to revenue - capital	(2,618,289)	(2,387,364)
Adjustments	(283,670)	(222,038)
	-	283,669

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

R 283 670 was refunded from the Equitable share withheld during the year.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>8. Unspent conditional grants and receipts (continued)</b>		
<b>National: Extended Public Works Program (EPWP)</b>		
Current year receipts	1,415,000	1,292,000
Conditions met - transferred to revenue - operating	(1,415,000)	(1,273,502)
Adjustment	-	(18,498)
	-	-

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

<b>National: Neighbourhood Development Partnership Grant (NDPG)</b>		
Opening balance	45,894	-
Current year receipts	8,909,000	3,000,000
Conditions met - transferred to revenue - capital	(8,872,337)	(2,954,106)
Adjustments	(45,894)	-
	<b>36,663</b>	<b>45,894</b>

The NDPG grant is a conditional grant is to fund, support and facilitate the planning and development of neighbourhood development programmes and projects that will be catalysts for further development in these areas.

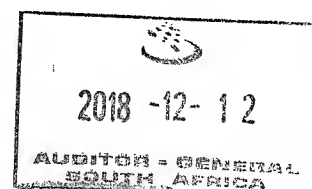
R 45 894 was refunded from the Equitable share withheld during the year.

<b>Provincial: Integrated Housing and Human Settlement Grant (IHHS)</b>		
Opening balance	(17,338,737)	(8,195,746)
Current year receipts	47,023,615	44,794,118
Conditions met - transferred to revenue - operating	(18,215,105)	(31,871,533)
Conditions met - transferred to revenue - capital	(26,451,574)	(22,065,576)
	<b>(14,981,801)</b>	<b>(17,338,737)</b>

The housing allocation is a conditional grant to support the creation of sustainable human settlements that enables and improve quality of household life, provision of basic infrastructure, top structures and basic social and economic amenities.

<b>Provincial: Other Provincial Grants</b>		
Opening balance	3,327,265	956,145
Current year receipts	18,155,000	10,894,750
Conditions met - transferred to revenue - operating	(10,061,634)	(6,726,764)
Conditions met - transferred to revenue - capital	(5,102,211)	(815,552)
Adjustment	-	(981,313)
	<b>6,318,420</b>	<b>3,327,266</b>

The other provincial grants is mainly allocated to provide financial assistance to municipalities to improve overall financial governance within municipalities, improving credibility and responsiveness of municipal budgets, improving audit outcomes and addressing institutional challenges, to cover operational and capital costs pertaining to the line functions of CDW's, to ensure functional and compliant performance management systems. The unspent portion relates to conditions not yet met at year-end.





# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>8. Unspent conditional grants and receipts (continued)</b>		
<b>District - EDEN District Municipal Grants</b>		
Opening balance	-	1,657,463
Conditions met - transferred to revenue - operating	-	(150,000)
Adjustment	-	(1,507,463)
	-	-

The unspent EDEN grant comprise an amount received and to be utilised for a Knysna Survey Project (2011) as well as a grant for disaster programs. The unspent portion relates to conditions not yet met at year-end.

### Other Organisational Grants

Opening balance	-	109,890
Conditions met - transferred to revenue - operating	-	(59,590)
Conditions met - transferred to revenue - capital	-	(50,300)
	-	-

Grants from Other Organisations used for sports facilities, capacity building.

### Unspent public contributions and receipts: Knysna Fire Disaster Relief Fund

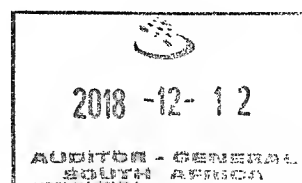
Opening balance	1,241,107	-
Current year receipts	2,719,809	1,241,981
Conditions met - transferred to revenue - Public contributions and donations	(1,197)	(874)
	<b>3,959,719</b>	<b>1,241,107</b>

The Knysna Fire Disaster Relief Fund was established in terms of Section 12 of the MFMA for the purpose of collection and allocation of funds donated in support of the devastating fires that have ravaged the greater Knysna area.

This fund is intended to address the short, medium and long-term needs and reconstruction requirements of Knysna for the benefit of all residents, communities, businesses and visitors. The donated monies is to be utilised to address humanitarian relief, trauma counselling, public works employment as part of the clean-up process, environmental management to, among other things, prevent mud slides and ensure rehabilitation, infrastructure, business support, economic development and reconstruction.

Applications for allocations from this fund will be evaluated by a working committee, established to assist the accounting officer.

This unspent public contributions and receipts is cash-backed by a separate bank account as stipulated in Sections 12(2) and (3) of the MFMA. Refer to note 9.

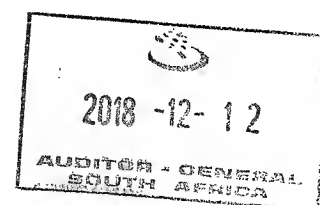


# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>8. Unspent conditional grants and receipts (continued)</b>		
<b>Total Grants and receipts</b>		
Opening balance	(12,440,802)	108,899
Current year receipts	179,014,988	152,571,849
Conditions met - transferred to revenue - operating	(106,090,737)	(108,002,702)
Conditions met - transferred to revenue - capital	(64,819,687)	(54,388,661)
Conditions met - transferred to revenue - Public contributions and donations	(1,197)	(874)
Adjustments	(329,564)	(2,729,313)
	<b>(4,666,999)</b>	<b>(12,440,802)</b>
<b>Changes in levels of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of operating government grant funding are expected over the forthcoming 3 financial years. Capital grants are allocated annually in the Division of Revenue Act, and can change significantly.		
<b>9. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Short-term deposits	20,911,889	54,147,065
Bank balances	58,955,203	54,055,724
Cash on hand	9,950	10,150
	<b>79,877,042</b>	<b>108,212,939</b>
<b>Facilities</b>		
A standing overdraft facility of R 5m is part of the agreement with Nedbank Limited.		
<b>Credit quality of cash at bank and short term deposits, excluding cash on hand</b>		
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.		
<b>Credit rating</b>		
P-3 (Nedbank, ABSA, Standard Bank, Old Mutual and Investec)	79,867,092	108,202,789
<b>Cash and cash equivalents pledged as collateral</b>		
Call Investment Deposits to an amount of R 11,314,802 (2017: R 4,897,936) are held to fund the Unspent Conditional Grants. Refer to note 8.		
Call Investment Deposits of R 11,118,139 (2017: R 10,420,347) have been pledged to DBSA as guarantees on external loans taken up. Refer to note 15.		
<b>Guarantees Issued</b>		
	156,100	156,100



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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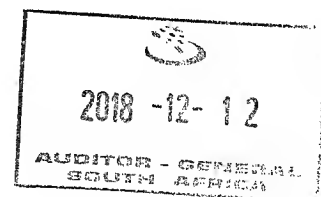
### 9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Nedbank - Primary bank account - 162 656 1826	70,091,946	60,954,822	48,242,489	54,841,041	52,838,919	36,894,460
Nedbank - Secondary account - 162 656 1834	216,687	279,589	305,007	154,076	(24,457)	267,736
Nedbank - Tertiary account (SARS VAT receipts) - 162 657 1139	367	154	387	367	154	387
Nedbank - Knysna Fire Disaster Relief Fund - 114 792 0699	3,959,719	1,241,108	-	3,959,719	1,241,108	-
<b>Total</b>	<b>74,268,719</b>	<b>62,475,673</b>	<b>48,547,883</b>	<b>58,955,203</b>	<b>54,055,724</b>	<b>37,162,583</b>

Call Investment Deposits consist of the following accounts:

Nedbank - 03/7881531940/54 - Ceded DBSA	11,118,139	10,420,347
Nedbank - 03/7881068957/10	57,466	53,859
Nedbank - 03/7881068957/12	-	16,051,097
Old Mutual - 500050890	9,735,778	9,046,474
ABSA - 9328139138	-	1,755,477
ABSA - 9328139285	-	3,042,276
Standard Bank - 288567420-017	-	13,777,060
Investec - 021941-501	506	475
	<b>20,911,889</b>	<b>54,147,065</b>



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 10. Investment property

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	173,343,900	(96,429,213)	76,914,687	174,979,900	(97,911,880)	77,068,020

#### Reconciliation of investment property - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	77,068,020	-	-	(153,333)	76,914,687

#### Reconciliation of investment property - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	78,213,394	7,900	(1,000,000)	(153,274)	77,068,020

#### Investment property in the process of being constructed or developed

No investment property is in the process of being constructed or developed.

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	3,398,169	4,335,221
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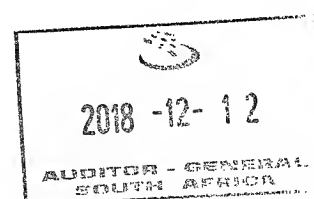
#### From Investment property that generated rental revenue

Repairs and maintenance - Contracted services	224,693	427,660
Repairs and maintenance - Inventory consumed	1,284	8,601
Operational costs	3,432	9,287
	<b>229,409</b>	<b>445,548</b>

#### Other

The ownership of Erf 216/54 Brenton with a fair value of R10,600,000 is the subject of a legal dispute and according to the legal opinion obtained by the Municipality, ownership of this property vests with the Municipality. There are no other restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

### 11. Property, plant and equipment

	2018		2017	
	Cost	Accumulated depreciation and impairment	Carrying value	Accumulated depreciation and impairment
Land and buildings	353,121,871	(180,483,196)	172,638,675	345,236,838
Infrastructure	992,463,636	(268,716,557)	723,747,079	892,788,048
Community assets	65,058,137	(10,427,457)	54,630,680	58,857,575
Other assets	103,729,631	(41,983,243)	61,746,388	89,218,554
<b>Total</b>	<b>1,514,373,275</b>	<b>(501,610,453)</b>	<b>1,012,762,822</b>	<b>1,386,101,015</b>
				<b>(474,001,415)</b>
				<b>912,099,600</b>

### Reconciliation of property, plant and equipment - 2018

	Carrying Value	Cost	Accumulated Depreciation and Impairments				Carrying Value
	Opening balance	Additions	Disposals	Transfer to completed	IGRAP2 adjustment	Depreciation charge	Closing balance
<b>Land and buildings</b>	<b>165,300,960</b>	<b>7,885,034</b>	-	-	-	<b>(547,318)</b>	<b>172,638,676</b>
Operational land	125,706,951	-	-	-	-	-	125,706,951
Operational buildings	36,319,597	105,437	-	219,488	-	(547,318)	36,097,204
Work in progress	3,274,412	7,779,597	-	(219,488)	-	-	10,834,521
<b>Infrastructure</b>	<b>646,155,498</b>	<b>99,296,464</b>	<b>(334,609)</b>	-	<b>713,733</b>	<b>(21,663,143)</b>	<b>723,747,079</b>
Electrical infrastructure	174,953,165	16,527,835	-	34,249	-	(5,297,665)	186,217,584
Information and communication infrastructure	319,439	416,271	-	-	-	(69,287)	666,423
Roads infrastructure	100,244,597	4,229,418	-	3,398,729	-	(4,850,788)	103,021,956
Sanitation infrastructure	128,730,242	8,585,822	(37,720)	8,277,674	-	(4,391,953)	141,190,893
Solid waste infrastructure	780,961	-	-	-	713,733	(11,928)	769,033
Storm water infrastructure	18,900,545	1,107,015	-	1,894,232	-	(617,209)	21,284,583
Water supply infrastructure	162,723,949	21,341,671	(296,889)	18,818,154	-	(6,424,313)	196,428,613
Work in progress	59,502,600	47,088,432	-	(32,423,038)	-	-	74,167,994

# Knysna Municipality

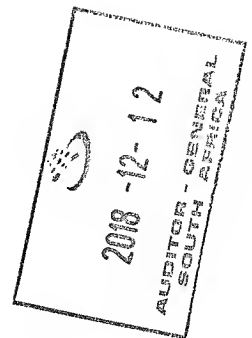
Financial Statements for the year ended 30 June 2018

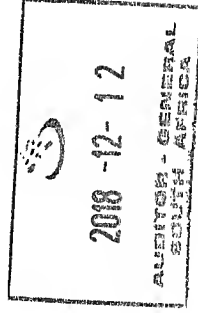
## Notes to the Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

	Carrying Value	Cost	Accumulated Depreciation and Impairments					Carrying Value
			Opening balance	Additions	Disposals	Transfer to completed	IGRAP2 adjustment	Closing balance
<b>Community assets</b>	<b>49,372,639</b>	<b>6,200,561</b>						
Community facilities	33,056,731	1,076,824	-	-	-	-	(942,520)	54,630,680
Sport and recreational facilities	12,153,352	546,495	-	-	-	1,503,095	(703,419)	34,933,231
Work in progress	4,162,556	4,577,242	-	-	-	(1,503,095)	(239,101)	12,460,746
<b>Other assets</b>	<b>51,270,503</b>	<b>16,284,426</b>						
Computer equipment	5,512,015	1,394,960	(2,598,023)	-	-	-	(5,726,446)	2,515,928
Furniture and office equipment	4,727,276	2,622,123	(53,493)	-	-	-	(1,009,839)	11,278
Machinery and equipment	9,128,284	3,149,456	(1,682,474)	112,482	-	-	(1,220,126)	1,680,578
Transport assets	30,967,580	5,668,850	(862,056)	-	-	-	(1,350,257)	824,072
Work in progress	935,348	3,449,037	-	822,866	-	(935,348)	(2,146,224)	-
	912,099,600	129,666,485	(2,932,632)	-	713,733	(28,879,427)	2,808,797	(713,733)
								1,012,762,823





## Knysna Municipality

Financial Statements for the year ended 30 June 2018

### Notes to the Financial Statements

Figures in Rand

#### 11. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2017 (Restated)

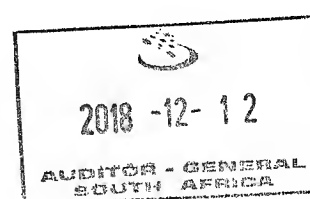
	Carrying Value	Cost		Accumulated Depreciation and Impairments					Carrying value	
		Opening balance	Additions	Disposals	Transfer to completed	IGRAP 2 adjustment	Depreciation charge	Disposals - Depreciation	Impairment	Closing balance
<b>Land and buildings</b>		<b>161,162,677</b>	<b>4,674,341</b>	-	-	-	<b>(536,058)</b>	-	-	<b>165,300,960</b>
Operational land		125,706,951	-	-	-	-	-	-	-	125,706,951
Operational buildings		35,280,726	1,574,929	-	-	-	(536,058)	-	-	36,319,597
Work in progress		175,000	3,099,412	-	-	-	-	-	-	3,274,412
<b>Infrastructure</b>		<b>590,597,537</b>	<b>76,561,543</b>	<b>(477,657)</b>	<b>(18,750)</b>	<b>3,900,014</b>	<b>(20,224,883)</b>	<b>272,549</b>	<b>(554,841)</b>	<b>(3,900,014) 646,155,498</b>
Electrical infrastructure		169,219,894	7,624,203	(18,294)	3,767,023	-	(5,102,101)	17,281	(554,841)	- 174,953,165
Information and communication infrastructure		289,781	88,328	-	-	-	(58,670)	-	-	- 319,439
Roads infrastructure		89,690,766	14,002,809	-	1,086,931	-	(4,535,908)	-	-	- 100,244,598
Sanitation infrastructure		115,974,625	10,729,565	(118,981)	5,814,170	-	(3,777,617)	108,480	-	- 128,730,242
Solid waste infrastructure		792,889	-	-	-	3,900,014	(11,928)	-	(3,900,014)	- 780,961
Storm water infrastructure		16,734,158	2,719,980	-	-	-	(553,593)	-	-	- 18,900,545
Water supply infrastructure		161,296,865	4,225,509	(202,244)	3,442,098	-	(6,185,066)	146,788	-	- 162,723,950
Work in progress		36,598,559	37,171,149	(138,138)	(14,128,972)	-	-	-	-	- 59,502,598
<b>Community assets</b>		<b>46,005,010</b>	<b>4,262,487</b>	-	<b>18,750</b>	-	<b>(913,608)</b>	-	-	<b>- 49,372,639</b>
Community facilities		32,957,254	667,855	-	106,553	-	(674,930)	-	-	- 33,056,732
Sport & recreational facilities		12,392,030	-	-	-	-	(238,678)	-	-	- 12,153,352
Work in progress		655,726	3,594,632	-	(87,803)	-	-	-	-	- 4,162,555
<b>Other assets</b>		<b>52,092,728</b>	<b>5,180,600</b>	<b>(1,671,245)</b>	-	-	<b>(5,292,240)</b>	<b>960,660</b>	-	<b>- 51,270,503</b>
Computer equipment		5,385,344	1,215,297	(447,462)	-	-	(958,632)	317,467	-	- 5,512,014
Furniture and office equipment		5,084,229	782,566	(71,864)	-	-	(1,106,537)	38,881	-	- 4,727,275
Machinery and equipment		8,231,413	2,247,386	(304,076)	-	-	(1,251,842)	205,403	-	- 9,128,284
Transport assets		33,391,742	-	(847,843)	-	-	(1,975,229)	398,909	-	- 30,967,579
Work in progress		-	935,351	-	-	-	-	-	-	- 935,351
		<b>849,857,952</b>	<b>90,678,971</b>	<b>(2,148,902)</b>	-	<b>3,900,014</b>	<b>(26,966,789)</b>	<b>1,233,209</b>	<b>(554,841)</b>	<b>(3,900,014) 912,099,600</b>

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>11. Property, plant and equipment (continued)</b>		
<b>Assets subject to finance lease and pledged as security</b>		
Furniture and office equipment	1,867,538	222,235
<b>Property, plant and equipment in the process of being constructed or developed:</b>		
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>		
Buildings	10,834,521	3,274,412
Infrastructure	74,167,994	59,502,598
Community	7,236,703	4,162,555
Other property, plant and equipment	3,449,037	935,351
	<b>95,688,255</b>	<b>67,874,916</b>
<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>		
Knysna Cemetery professional fees - Community asset	20,285	20,285
Still in progress of land identification.		
	<b>20,285</b>	<b>20,285</b>
<b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b>		
Greensite development and tipsite establishment - Infrastructure	198,140	198,140
This project is not completed due to the funds that were reallocated.		
No impairment loss has been recognised as the project will continue as and when funding becomes available.		
	<b>198,140</b>	<b>198,140</b>
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Contracted services	46,413,342	52,478,425
Inventory consumed	10,771,887	6,916,807
Operational costs	2,324,757	217,090
	<b>59,509,986</b>	<b>59,612,322</b>
<b>Compensation from third parties for losses incurred</b>		
Payments received (excluding VAT)	4,039,395	844,091





# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 12. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and website	238,247	(84,141)	154,106	238,247	(68,343)	169,904

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software and website	169,904	-	(15,798)	154,106

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	20,052	154,239	(4,387)	169,904

#### Pledged as security

There are no intangible assets pledged as security for liabilities.

#### Intangible assets in the process of being constructed or developed

##### Cumulative expenditure recognised in the carrying value of Intangible assets

Website	-	154,239
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No intangible assets is taking a significantly longer period of time to complete than expected.

No intangible assets in development has been halted during the current or previous reporting periods.

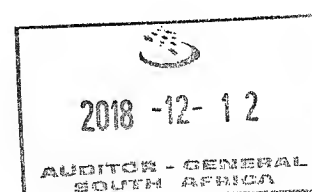
#### Restricted title

There are no intangible assets whose title is restricted.

#### Other information

No intangible assets were assessed having an indefinite useful life.

There are no contractual commitments for the acquisition of intangible assets.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R			2017 R		
13. Heritage assets						
	2018			2017		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Land of historical significance and conservation areas	26,709,000	(11,998,000)	14,711,000	26,709,000	(11,998,000)	14,711,000
Historical buildings	2,393,952	(13,952)	2,380,000	2,393,952	(13,952)	2,380,000
Works of art	83,550	-	83,550	83,550	-	83,550
Historical monuments	18,871	-	18,871	18,871	-	18,871
Book collection of historical significance	241,625	-	241,625	241,625	-	241,625
<b>Total</b>	<b>29,446,998</b>	<b>(12,011,952)</b>	<b>17,435,046</b>	<b>29,446,998</b>	<b>(12,011,952)</b>	<b>17,435,046</b>

### Reconciliation of heritage assets 2018

	Opening balance	Total
Works of art	83,550	83,550
Historical monuments	18,871	18,871
Land of historical significance and conservation areas	14,711,000	14,711,000
Historical buildings	2,380,000	2,380,000
Book collection of historical significance	241,625	241,625
	<b>17,435,046</b>	<b>17,435,046</b>

### Reconciliation of heritage assets 2017

	Opening balance	Total
Works of art	83,550	83,550
Historical monuments	18,871	18,871
Land of historical significance and conservation areas	14,711,000	14,711,000
Historical buildings	2,380,000	2,380,000
Book collection of historical significance	241,625	241,625
	<b>17,435,046</b>	<b>17,435,046</b>

### Details of heritage assets

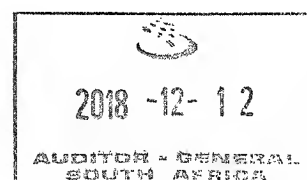
Heritage assets consist mainly of land, historical buildings and monuments older than 50 years.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop heritage assets or for repairs, maintenance or enhancements.

There are no heritage assets pledged as security for liabilities.

There are no third party payments received for losses and impairments incurred.



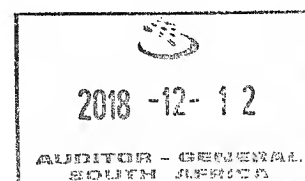
# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>13. Heritage assets (continued)</b>		
<b>Heritage assets used for more than one purpose</b>		
The following heritage assets are used by the entity for more than one purpose:		
Erf 475 Knysna: Heritage tourism building	2,822,000	2,822,000
Erf 1003 Knysna: Old goal heritage building, museum and municipal offices	3,900,000	3,900,000
	<b>6,722,000</b>	<b>6,722,000</b>
<b>Heritage assets in the process of being constructed or developed</b>		
No heritage assets is in the process of being constructed or developed.		
<b>Expenditure incurred to repair and maintain heritage assets</b>		
<b>Expenditure incurred to repair and maintain heritage assets included in Statement of Financial Performance</b>		
Contracted services	89,509	82,247
Inventory consumed	906	769
	<b>90,415</b>	<b>83,016</b>
<b>14. Operating lease asset (liability)</b>		
Non-current assets	1,913,910	1,752,479
Non-current liabilities	(5,975)	-
	<b>1,907,935</b>	<b>1,752,479</b>

Refer to note 42 for additional disclosure relating to the operating lease asset and accrual.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

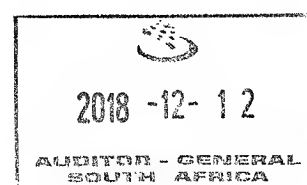
	2018 R	2017 R
<b>15. Long-term liabilities</b>		
<b>At amortised cost</b>		
Annuity loans	154,308,757	142,712,833
Local registered stock	710,520	710,520
	<b>155,019,277</b>	<b>143,423,353</b>
<b>Total long-term liabilities</b>	<b>155,019,277</b>	<b>143,423,353</b>
<b>Annuity loans</b>		
Annuity loans bear interest at rates between 7.93% and 11.69% per annum. Investec Fixed Deposit (Acc 021941420) of R 32,358,328 and the Call Investment Deposit of R11,118,139 have been pledged to DBSA as guarantees for external loans taken up. Refer to notes 4 and 9.		
<b>Local registered stock</b>		
The City of Tswane is the holder of the registered stock. The stock bears interest at 16.45% per annum. Interest associated with stock is paid on an annual basis and the face value of the stock will be fully redeemed on 31 December 2018.		
<b>Non-current liabilities</b>		
At amortised cost	136,080,282	128,714,001
<b>Current liabilities</b>		
At amortised cost	18,938,995	14,709,352
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	937,025	246,767
- in second to fifth year inclusive	1,310,888	11,691
	2,247,913	258,458
less: future finance charges	(309,214)	(9,439)
<b>Present value of minimum lease payments</b>	<b>1,938,699</b>	<b>249,019</b>
<b>Present value of minimum lease payments due</b>		
- within one year	740,843	237,480
- in second to fifth year inclusive	1,197,856	11,539
	<b>1,938,699</b>	<b>249,019</b>
<b>Non-current liabilities</b>	1,197,857	11,539
<b>Current liabilities</b>	740,842	237,480
	<b>1,938,699</b>	<b>249,019</b>

It is municipality policy to lease certain office equipment under finance leases. The office equipment is leased from Konica Minolta and Bytes.

The average lease term was 2-3 years and the effective borrowing rate was 10.50% to 12.50%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The maturity date of the leases is 30 September 2018 and 30 November 2020.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>16. Finance lease obligation (continued)</b>		
The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.		
<b>17. Payables from exchange transactions</b>		
Accrued Interest on Loans	1,835,707	1,481,178
Trade payables	56,226,503	56,691,224
Payments received in advanced	14,038,210	8,879,265
Retentions	11,274,246	19,074,663
Hoarding fees	8,161,766	6,162,087
Other payables	1,197,830	964,042
Deposits: Other	93,275	363,837
	<b>92,827,537</b>	<b>93,616,296</b>

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

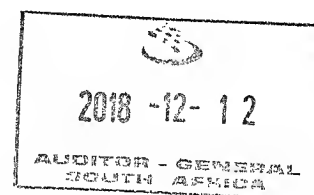
All payables are unsecured.

Included in other payables is unidentified traffic fines paid as well as group scheme accruals .

Other deposits include Hall and Tender Deposits.

### 18. Consumer deposits

Electricity	6,980,046	6,574,939
Water	5,154,784	4,725,687
Other deposits	132,148	-
Town Hall rental	121,098	-
	<b>12,388,076</b>	<b>11,300,626</b>



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>19. Employee benefit obligations</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Non-current liabilities</b>		
Post-Retirement Medical Aid benefits liability	88,750,641	89,894,670
Ex-gratia pension benefits liability	109,076	114,553
Long service awards	12,050,414	11,371,662
	<b>100,910,131</b>	<b>101,380,885</b>
<b>Current liabilities</b>		
Post-Retirement Medical Aid benefits liability	3,215,370	3,187,579
Ex-gratia pension benefits liability	21,360	21,360
Long service awards	1,800,714	1,229,386
Performance bonus	2,164,054	1,700,117
Staff annual bonus	5,414,475	4,987,328
Staff leave	17,027,198	15,320,295
	<b>29,643,171</b>	<b>26,446,065</b>
<b>Total liabilities</b>		
Post-Retirement Medical Aid benefits liability	91,966,011	93,082,249
Ex-gratia pension benefits liability	130,436	135,913
Long service awards	13,851,128	12,601,048
Performance bonus	2,164,054	1,700,117
Staff annual bonus	5,414,475	4,987,328
Staff leave	17,027,198	15,320,295
	<b>130,553,302</b>	<b>127,826,950</b>

### Post-retirement medical aid benefit liability

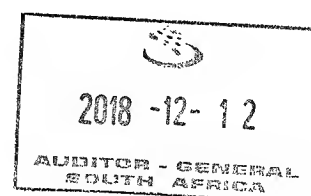
The Post-retirement benefit plan is a wholly unfunded defined benefit plan, of which the members are made up as follows:

In-service (Employees) members	362	371
In-service (Employees) non-members	293	287
Continuation members	61	65
<b>Total members</b>	<b>716</b>	<b>723</b>
In-service members	50,908,093	49,754,025
Continuation members	39,600,913	41,973,787
Non-members	1,457,005	1,354,437
<b>Total unfunded liability</b>	<b>91,966,011</b>	<b>93,082,249</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- LA Health
- Hosmed
- Keyhealth
- Samwumed

The Current-service cost for the year ending 30 June 2019 is estimated to be R 3 665 472 (2018: R 3 794 512) whereas the interest cost for the same year is estimated to be R 8 641 764 (2018: R8 834 390).

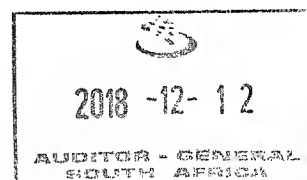


# Knysna Municipality

Financial Statements for the year ended 30 June 2018

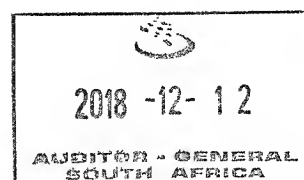
## Notes to the Financial Statements

	2018 R	2017 R
<b>19. Employee benefit obligations (continued)</b>		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
i) Rate of interest		
Discount rate	9.56 %	9.65 %
Health care cost inflation rate	7.36 %	7.94 %
Net effective discount rate	2.06 %	1.59 %
Expected retirement age - females	63	63
Expected retirement age - males	63	63
The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".		
The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.		
ii) Mortality rates		
Pre-retirement: SA 85-90 mortality table		
Post-retirement: PA (90) -1 ultimate mortality table		
iii) Normal retirement age		
It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.		
iv) Actuarial Valuation Method		
The Projected Unit Credit Method has been used to value the liabilities.		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of unfunded obligations	91,966,011	93,082,249
Amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	3,794,512	4,010,091
Interest cost	8,834,390	8,176,880
Recognised actuarial losses / (gains)	(10,716,922)	(6,522,833)
	<b>1,911,980</b>	<b>5,664,138</b>
The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	93,082,249	90,279,930
- Current service cost	3,794,512	4,010,091
- Interest cost	8,834,390	8,176,880
- Actuarial losses / (gains)	(10,716,922)	(6,522,833)
- Benefits paid	(3,028,218)	(2,861,819)
<b>Balance at the end of the year</b>	<b>91,966,011</b>	<b>93,082,249</b>



# Knysna Municipality

Financial Statements for the year ended 30 June 2018



## Notes to the Financial Statements

	2018 R	2017 R
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### 19. Employee benefit obligations (continued)

The table below summarises the accrued liabilities for the current period and the previous four periods.

Liability History	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Accrued liability	82,687,663	84,282,126	90,279,930	93,082,249	91,966,011
	<b>(82,687,663)</b>	<b>(84,282,126)</b>	<b>(90,279,930)</b>	<b>(93,082,249)</b>	<b>(91,966,011)</b>

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Experience adjustments	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Liabilities: (Gain) / Loss	3,481,000	(6,370,000)	(3,138,000)	5,862,000	(3,507,000)
	<b>3,481,000</b>	<b>(6,370,000)</b>	<b>(3,138,000)</b>	<b>5,862,000</b>	<b>(3,507,000)</b>

Sensitivity analysis on the accrued liability	Change	In-service	Continuation	Total	% change
Central assumptions		52,365,000	39,601,000	91,966,000	
Health care inflation	1 %	64,367,000	43,312,000	107,679,000	17 %
Health care inflation	(1)%	42,960,000	36,349,000	79,309,000	(14)%
Discount rate	1 %	43,202,000	36,437,000	79,639,000	(13)%
Discount rate	(1)%	64,217,000	43,268,000	107,485,000	17 %
Post-retirement mortality	-1 year	53,992,000	41,099,000	95,091,000	3 %
Average retirement age	-1 year	56,916,000	39,601,000	96,517,000	5 %
Continuation of membership at retirement	(10)%	46,177,000	39,601,000	85,778,000	(7)%

Sensitivity analysis on current-service and interest cost	Change	Current-service cost	Interest cost	Total	% change
Central assumptions		3,794,500	8,834,400	12,628,900	
Health care inflation	1 %	4,796,600	10,405,800	15,202,400	20 %
Health care inflation	(1)%	3,027,200	7,573,700	10,600,900	(16)%
Discount rate	1 %	3,071,400	8,388,700	11,460,100	(9)%
Discount rate	(1)%	4,745,400	9,317,700	14,063,100	11 %
Post-retirement mortality	-1 year	3,918,200	9,150,400	13,068,600	3 %
Average retirement age	-1 year	4,106,900	9,258,000	13,364,900	6 %
Continuation of membership at retirement	(10)%	3,302,800	8,257,200	11,560,000	(8)%

### Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2018, 4 pensioners (2017: 4) were eligible for payments in terms of this plan. In-Service members are not eligible.

There is no future-service costs as there are no current in-service members eligible for ex-gratia payments, whereas the interest cost for the year ending 30 June 2019 is estimated to be R 9 597 (2018: R9 819).

Pensioners	4	4
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The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	8.00 %	7.83 %

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 19. Employee benefit obligations (continued)

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Post-retirement: PA (90) -1 ultimate mortality table

iii) Actuarial valuation method

The Projected Unit Credit Method has been used to value the liabilities.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of unfunded obligations	130,436	135,913
---------------------------------------	---------	---------

The amount recognised in the Statement of Financial Performance are as follows:

Interest cost	9,819	12,741
Recognised actuarial losses / (gains)	6,064	(21,139)
	<b>15,883</b>	<b>(8,398)</b>

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	135,913	172,862
Interest: Ex-Gratia	9,819	12,741
- Actuarial losses / (gains)	6,064	(21,139)
- Benefits Paid	(21,360)	(28,551)
	<b>130,436</b>	<b>135,913</b>

The table below summarises the accrued liabilities for the current period and the previous four periods:

Liability History	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Accrued liability	238,079	183,383	172,862	135,913	130,436
<b>Surplus / (Deficit)</b>	<b>(238,079)</b>	<b>(183,383)</b>	<b>(172,862)</b>	<b>(135,913)</b>	<b>(130,436)</b>

The table below summarises the experience adjustments for the current period and the previous periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

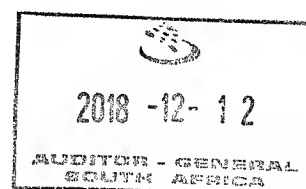
Experience adjustment	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Liabilities: (Gain) / Loss	10,287	(30,590)	11,693	(23,010)	7,276
	<b>10,287</b>	<b>(30,590)</b>	<b>11,693</b>	<b>(23,010)</b>	<b>7,276</b>

#### Sensitivity analysis on the unfunded accrued liability

	Change	Total liability	% change
Central assumptions		130,436	
Discount rate	1 %	123,817	(5)%
Discount rate	(1)%	137,829	6 %
Post-retirement mortality	-1 year	134,631	3 %

#### Sensitivity analysis on the interest cost

	Change	Interest cost	% change
Central assumptions		9,819	
Discount rate	1 %	10,447	6 %
Discount rate	(1)%	9,108	(7)%
Post-retirement mortality	-1 year	10,155	3 %

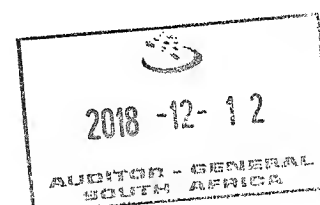


# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>19. Employee benefit obligations (continued)</b>		
<b>Long service awards</b>		
The municipality's obligation for Long Service Awards is a defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).		
The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.		
The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2018.		
At year end, 655 (2017: 658) employees were eligible for Long-services awards.		
The future service cost for the ensuing year is estimated to be R 1 106 763 (2018: R 1,051,393), whereas the interest cost for the ensuing year is estimated to be R 1 117 960 (2018: R 1,024,342).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
i) Rate of interest		
Discount rate	8.62 %	8.54 %
General salary inflation (long-term)	6.21 %	6.36 %
Net effective discount rate	2.27 %	2.05 %
The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".		
The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.		
ii) Mortality rates		
Pre-retirement: SA 85-90 (mixed) ultimate mortality table		
iii) Normal retirement age		
It has been assumed that in-service members will retire at the average age of 63.		
The amounts recognised in the Statement of Financial Position are as follows:		
Unfunded Long-Service Awards obligation	13,851,128	12,601,048
Amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1,051,393	1,086,093
Interest cost	1,024,342	1,014,927
Recognised actuarial losses / (gains)	285,706	(938,661)
	<b>2,361,441</b>	<b>1,162,359</b>



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>19. Employee benefit obligations (continued)</b>		
The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	12,601,048	12,282,190
- Current service cost	1,051,393	1,086,093
- Interest cost	1,024,342	1,014,927
- Recognised actuarial losses / (gains)	285,706	(938,661)
- Benefits paid	(1,111,361)	(843,501)
	<b>13,851,128</b>	<b>12,601,048</b>

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

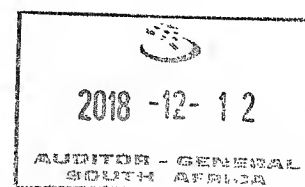
Liability History	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Accrued Liability	10,472,447	11,616,858	12,282,188	12,601,046	13,851,126
<b>Surplus / (Deficit)</b>	<b>(10,472,447)</b>	<b>(11,616,858)</b>	<b>(12,282,188)</b>	<b>(12,601,046)</b>	<b>(13,851,126)</b>

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Liabilities: (Gain) / Loss	266,842	213,298	(410,700)	(201,648)	507,158
	<b>266,842</b>	<b>213,298</b>	<b>(410,700)</b>	<b>(201,648)</b>	<b>507,158</b>

Sensitivity analysis on the unfunded accrued liability	Change	Liability	% change
Central assumptions		13,851,000	
General salary inflation	1 %	14,829,000	7 %
General salary inflation	(1)%	12,970,000	(6)%
Discount rate	1 %	12,944,000	(7)%
Discount rate	(1)%	14,877,000	7 %
Average retirement age	-2 years	12,194,000	(12)%
Average retirement age	+2 years	15,392,000	11 %
Withdrawal rates	(50)%	16,574,000	20 %

Sensitivity analysis on current-service and interest costs	Change	Current-service cost	Interest cost	Total	% change
Central assumptions		1,051,400	1,024,300	2,075,700	
General salary inflation	1 %	1,146,700	1,101,600	2,248,300	8 %
General salary inflation	(1)%	967,000	954,900	1,921,900	(7)%
Discount rate	1 %	973,900	1,064,500	2,038,400	(2)%
Discount rate	(1)%	1,140,200	975,800	2,116,000	2 %
Average retirement age	-2 years	942,000	897,800	1,839,800	(11)%
Average retirement age	+2 years	1,150,100	1,135,100	2,285,200	10 %
Withdrawal rates	(50)%	1,398,900	1,241,100	2,640,000	27 %

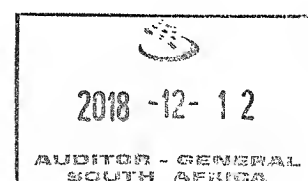


# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>19. Employee benefit obligations (continued)</b>		
<b>Multi-employer retirement benefit information</b>		
Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, multi-employer plans are defined as defined benefit plans. GRAP 25 also states that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.		
The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.		
As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claims that the pensioner data is confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.		
Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as a defined contribution plan.		
<b>LA Retirement Fund (previously the Cape Joint Defined Contribution Fund)</b>		
The Cape Joint Defined Benefit Fund's contribution rate payable is 9% by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 103%.		
Contributions paid recognised in the Statements of Financial Performance	438,568	197,268
<b>Consolidated Retirement Fund for local government</b>		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 118%.		
Contributions paid recognised in the Statements of Financial Performance	20,456,412	18,958,221
<b>Absa Prudential Fund of Funds</b>		
Contributions are made to the Absa Prudential Fund of Funds. The fund is managed according to the guidelines as set out in regulation 28 of the Pension Funds Act 1956 and is suitable for retirement funds investments..		
Contributions paid recognised in the Statements of Financial Performance	85,307	-
<b>Municipal Councillors Pension Fund</b>		
Council contribute to the Municipal Council Pension Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statements of Financial Performance	-	105,936



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>19. Employee benefit obligations (continued)</b>		
<b>Performance bonuses</b>		
The movement on the performance bonus obligation consist of the following:		
Balance at the beginning of the year	1,700,118	906,084
Additional performance bonus accrual recognised during the year	463,937	794,034
	<b>2,164,055</b>	<b>1,700,118</b>

Performance bonuses are paid to the municipal Manager and section 56 Directors after an evaluation of performance by the council.

### Staff annual bonus

The movement on the annual bonus accrual consist of the following:

Balance at the beginning of the year	4,987,328	5,022,730
Payments	(9,419,710)	(8,756,258)
Additional bonus accrual recognised during the year	9,846,857	8,720,856
	<b>5,414,475</b>	<b>4,987,328</b>

Annual bonuses are paid to all staff during November of each year. There is no possibility of reimbursement.

### Staff leave

The movement on the leave accrual consist of the following:

Balance at the beginning of the year	15,320,295	13,763,636
Payments	(1,522,128)	(1,676,111)
Additional staff leave accrual recognised during the year	3,229,035	3,232,770
	<b>17,027,202</b>	<b>15,320,295</b>

Staff leave accrues to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or resign. There is no possibility of reimbursement.

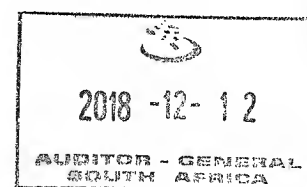
## 20. Provisions

### Reconciliation of provisions - 2018

	Opening Balance	Utilised during the year	Unwinding of discount	iGrap2 Adjustment	Total
Landfill site	11,839,510	(412,964)	833,650	713,733	12,973,929

### Reconciliation of provisions - 2017

	Opening Balance	Unwinding of discount	iGrap2 Adjustment	Total
Landfill site	7,418,080	521,416	3,900,014	11,839,510
Non-current liabilities			10,951,327	11,839,510
Current liabilities			2,022,602	-
			<b>12,973,929</b>	<b>11,839,510</b>



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 20. Provisions (continued)

#### Landfill sites

The provision is for the rehabilitation of 2 landfill sites and 2 refuse transfer stations. The municipality discontinued dumping waste within the municipal area and transport all waste to the Petro SA waste disposal site in Mossel Bay.

Rehabilitation cost was estimated using criteria for closure detailed in the Minimum Requirement for Waste Disposal by Landfill. Provision is made in terms of the municipality's licensing stipulations on the landfill waste sites, for the estimated cost of rehabilitating the waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by Aurecon South Africa (Pty) Ltd have been applied.

It is estimated that the rehabilitation process will be finalised in 2020 for the respective landfill sites.

The increase in the provision of the landfill site in the 2018 financial year is due to a new calculation obtained from engineers who calculated the estimate costs to rehabilitate the landfill site. The change in discount rates also impacted the IGRAP 2 adjustment.

The contribution to the provision is based on the average Consumer Price Index which is calculated at 4.53% (2017: 6.05%).

The cost as at 30 June 2017 has been escalated annually with the average Consumer Price Index until the estimated time of closure and discounted to present value using the relevant South African Government Bond rates. All other adjustments are in line with the provisions of IGRAP 2.

### 21. Service charges

Sale of electricity	226,407,354	229,459,175
Sale of water	70,460,158	60,640,351
Sewerage and sanitation charges	16,981,363	13,954,851
Refuse removal	21,259,895	17,926,686
	<b>335,108,770</b>	<b>321,981,063</b>

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.

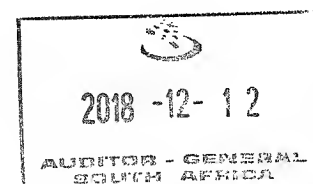
### 22. Rental of facilities and equipment

#### Premises

Hire of halls	135,312	125,431
Investment property	3,398,169	4,335,221
	<b>3,533,481</b>	<b>4,460,652</b>

#### Facilities and equipment

Rental of equipment	48,831	45,789
Bulk containers	452,550	398,687
Caravan park	475,259	385,243
	<b>976,640</b>	<b>829,719</b>
	<b>4,510,121</b>	<b>5,290,371</b>



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>23. Operational revenue</b>		
Collection charges	187,958	495,975
Incidental cash surpluses	3,276	1,650
Morchantising, jobbing and contracts	141,468	121,099
Request for information - Municipal information and statistics	19,489	2,435
Skills development levy refund	353,467	386,765
Sundries	305,176	259,902
	<b>1,010,834</b>	<b>1,267,826</b>

## 24. Property rates

### Rates received

#### Rateable Land and Buildings

Residential	166,550,360	144,210,448
Commercial	26,710,045	21,653,667
State	(184,614)	7,687,837
Agricultural / Rural	1,170,208	792,682
Accommodation	22,998,574	22,360,539
Church	1,741,002	1,566,391
Light Industrial	4,634,441	5,111,189
Other - Pensioners etc.	1,989,614	3,236,449

#### Rebates

Less: Income forgone / Rebates	(22,166,548)	(18,839,503)
	<b>203,443,082</b>	<b>187,779,699</b>

### Valuations (R'000)

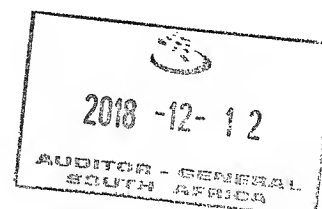
Residential	21,794,246	20,969,611
Commercial	2,259,637	1,474,898
State	570,656	544,592
Municipal	376,602	388,088
Agricultural / Rural	670,031	540,888
Accommodation	1,875,581	2,260,192
Church	114,743	112,970
Light industrial	300,666	364,992
Other - Pensioners etc.	240,510	317,662
Public benefit and - infrastructure	28,952	45,995
	<b>28,231,624</b>	<b>27,019,888</b>

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2017. Revaluations will be undertaken in terms of the Municipal Property Rates Act. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the Rand for domestic properties of R 0.007738 was charged on the total market value. Businesses were charged at a rate of R 0.0140846 on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R 100 000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one percent.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly installments.

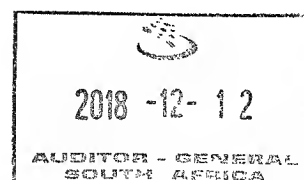


# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>25. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	70,834,564	62,982,000
National: Financial Management Grant (FMG)	1,550,000	1,475,000
National: Municipal Infrastructure Grant (MIG)	3,632,722	3,134,347
National: Integrated National Electrification Program Grant (INEP)	381,711	329,967
National: Extended Public Works Program (EPWP)	1,415,000	1,273,502
Provincial: Integrated Housing and Human Settlement Grant (IHHS)	18,215,104	26,308,581
Provincial: Other Provincial Grants	10,086,802	6,726,764
District: EDEN District Municipal Grants	-	150,000
Other Organisational Grants	-	59,590
	<b>106,115,903</b>	<b>102,439,751</b>
<b>Capital grants</b>		
National: Municipal Infrastructure Grant (MIG)	21,775,277	26,115,762
National: Integrated National Electrification Program Grant (INEP)	2,618,289	2,387,364
Provincial: Integrated Housing and Human Settlement Grant (IHHS)	26,451,573	27,628,528
Provincial: Other Provincial Grants	5,102,211	815,552
Other Organisational Grants	-	50,301
National: Neighbourhood Development Partnership Grant (NDPG)	8,872,337	2,954,106
	<b>64,819,687</b>	<b>59,951,613</b>
	<b>170,935,590</b>	<b>162,391,364</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies recognised:		
Conditional grants received	100,101,026	99,409,364
Unconditional grants received	70,834,564	62,982,000
	<b>170,935,590</b>	<b>162,391,364</b>
<b>Revenue recognised / expensed per vote as required by Section 123 (c) of the MFMA</b>		
Equitable share	70,834,564	62,982,000
Community Services	19,688,879	8,372,473
Corporate Services	-	57,001
Electricity	3,000,000	3,286,271
Finance	3,906,036	1,475,000
Planning	46,081,677	58,374,307
Technical	27,424,434	27,844,312
	<b>170,935,590</b>	<b>162,391,364</b>
<b>Grants received per directorate during the year(Excluding equitable share)</b>		
Community services	20,944,000	4,200,000
Electricity	3,000,000	3,058,000
Finance	4,070,000	1,475,000
Planning	48,438,615	1,292,000
Technical	29,008,000	78,322,868
	<b>105,460,615</b>	<b>88,347,868</b>



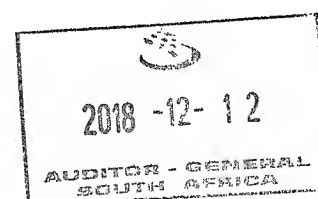


# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>26. Fines, penalties and forfeits</b>		
Traffic fines	88,074,336	105,324,659
Property rates penalties	4,579,522	3,547,546
Other fines	59,781	92,587
	<b>92,713,639</b>	<b>108,964,792</b>
<b>27. Public contributions and donations</b>		
Contributed property, plant and equipment	1,333,600	150,246
Knysna fire disaster relief fund	1,197	874
General public - Mayoral golf day	-	161,750
General public - Millwood museum	-	3,318
	<b>1,334,797</b>	<b>316,188</b>
Conditions still to be met - remain liabilities (see note 8)		
Provide explanations of conditions still to be met and other relevant information		
<b>28. Employee related costs</b>		
Salaries and Wages	133,329,933	126,259,942
Contributions for UIF, Pensions and Medical Aids	37,620,530	33,642,161
Travel, motor car, accommodation, subsistence and other allowances	12,417,559	13,386,888
Housing benefits and allowances	2,818,999	2,207,342
Overtime payments	22,158,613	13,347,636
Performance bonuses	508,937	794,034
Bonus	9,801,857	8,761,404
Leave pay provision charge	3,229,025	3,274,947
Contribution to provision - Long-service awards	1,051,393	1,086,093
Contribution to provision - Post Retirement Medical	3,794,512	4,010,091
	<b>226,731,358</b>	<b>206,770,538</b>

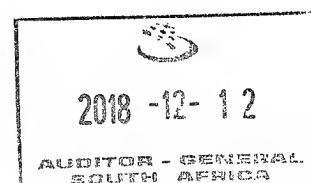


# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

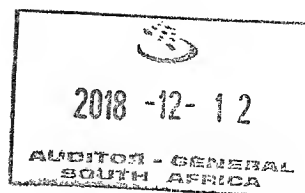
	2018 R	2017 R
<b>28. Employee related costs (continued)</b>		
<b>Remuneration of the Municipal Manager:</b>		
<b>Remuneration of the Municipal Manager - KAM Chetty (July 2017 - June 2018)</b>		
Annual Remuneration	947,850	-
Car Allowance	90,000	-
Telephone allowance	72,000	-
Contributions to UIF, Medical and Pension Funds	199,184	-
	<b>1,309,034</b>	<b>-</b>
<b>Remuneration of the previous Municipal Manager - Mr G Easton (July 2016 - April 2017)</b>		
Annual remuneration	-	1,064,566
Car allowance	-	30,000
Leave pay	-	179,887
Telephone allowance	-	16,699
Contributions to UIF, Medical and Pension Funds	-	171,665
	<b>-</b>	<b>1,462,817</b>
<b>Remuneration of the Acting Municipal Manager - JB Douglas (January 2017 - June 2017)</b>		
Annual Remuneration	-	650,000
Contributions to UIF, Medical and Pension Funds	-	623
Other	-	9,000
	<b>-</b>	<b>659,623</b>
<b>Remuneration of the Acting Municipal Manager - Mr C Mattheus (30 August 2016 - 10 October 2016)</b>		
Acting allowance	-	18,601
<b>Remuneration of the Acting Municipal Manager - Mr B Ellman (13 October 2016 - 31 December 2016)</b>		
Acting Allowance	-	46,692



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements



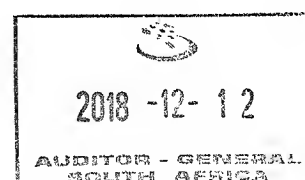
	2018 R	2017 R
<b>28. Employee related costs (continued)</b>		
<b>Remuneration of the Director Financial Services:</b>		
<b>Remuneration of the Director Financial Services - Mr M Memani (March 2017 - June 2018)</b>		
Annual Remuneration	714,153	206,541
Car Allowance	148,173	49,391
Performance Bonuses	45,000	-
Telephone allowance	22,702	7,200
Contributions to UIF, Medical and Pension Funds	158,379	56,203
	<b>1,088,407</b>	<b>319,335</b>
<b>Remuneration of the Director Financial Services - Ms P Gobrie (November 2015 to August 2016)</b>		
Annual Remuneration	-	107,369
Car Allowance	-	4,000
Contributions to UIF, Medical and Pension Funds	-	42,476
Telephone allowance	-	3,000
	-	<b>156,845</b>
<b>Remuneration of the Acting Director Financial Services - LH Fourie (September 2016 - February 2017)</b>		
Annual Remuneration	-	197,041
Car Allowance	-	31,321
Contributions to UIF, Medical and Pension Funds	-	892
	-	<b>229,254</b>
<b>Remuneration of the Director Planning and Development:</b>		
<b>Remuneration of the Director Planning and Development - Ms M Boyce (February 2017 - 30 June 2018)</b>		
Annual Remuneration	820,859	286,758
Car Allowance	60,000	19,959
Performance Bonuses	-	8,000
Contributions to UIF, Medical and Pension Funds	204,550	65,856
Telephone allowance	22,702	-
	<b>1,108,111</b>	<b>380,573</b>
<b>Remuneration of the Director Planning and Development - Mr E Phillips (December 2016 - January 2017)</b>		
Acting allowance	-	39,312
	-	<b>39,312</b>
<b>Remuneration of the Director Technical Services:</b>		
<b>Remuneration of the Director Technical Services - Mr M Rhode (July 2017 - May 2018)</b>		
Annual remuneration	1,178,630	1,193,465
Car allowance	57,200	62,400
Contributions to UIF, Medical and Pension Funds	1,785	1,813
Telephone allowance	21,699	22,523
	<b>1,259,314</b>	<b>1,280,201</b>
<b>Remuneration of the Acting Director Technical Services - Mr S Maree</b>		
Acting Allowance	32,841	-

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>28. Employee related costs (continued)</b>		
<b>Remuneration of the Director Corporate Services:</b>		
<b>Remuneration of the Director Corporate Services - Mr B Ellman</b>		
Annual Remuneration	-	523,961
Leave pay	-	100,445
Contributions to UIF, Medical and Pension Fund	-	110,179
Telephone allowance	-	13,138
	<b>-</b>	<b>747,723</b>
<b>Remuneration of the Director Corporate services - C Mattheus (July 2017 - September 2017)</b>		
Acting Allowance	38,063	-
<b>Remuneration of the Director Corporate services - M Paulsen (September 2017 -February 2018)</b>		
Acting Allowance	47,643	-
<b>Remuneration of the Director Community Services</b>		
<b>Remuneration of the Acting Director Community Services - Mr D Adonis (July 2017 - August 2017)</b>		
Annual Remuneration	147,062	814,105
Car Allowance	16,000	96,000
Contributions to UIF, Medical and Pension Funds	34,653	194,804
Telephone allowance	3,741	21,355
	<b>201,456</b>	<b>1,126,264</b>
<b>Remuneration of the Director Community Services - Mr S Langlands (August 2017 - November 2017)</b>		
Acting allowance	68,343	5,879
<b>Remuneration of the Director Community Services - Mr R Meyer (November 2017 - June 2018)</b>		
Acting allowance	182,478	-



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

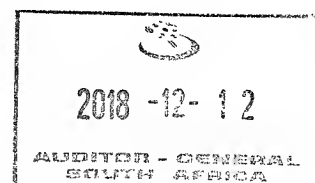
	2018 R	2017 R
<b>29. Remuneration of councillors</b>		
Councillor - S Arends	614,733	367,619
Councillor - CD Croutz	292,677	231,719
Councillor - L Davis	614,733	522,482
Councillor - TM Gombo	359,284	317,610
Councillor - SI Kwinana	292,677	231,718
Councillor - MG Matiwane	292,677	231,718
Councillor - MV Molosi	292,677	231,718
Councillor - PJ Meyers	414,754	620,969
Councillor - MN Naki	292,677	231,718
Councillor - D Pofadder	293,439	230,195
Councillor - MW Salaze	292,677	231,718
Councillor - MD Skosana	292,677	231,718
Councillor - ER Bouw - Spies	800,445	758,409
Councillor - NA Tsengwa	292,677	231,718
Councillor - L Tyokolo	292,677	260,420
Councillor - EO Van Aswegen	318,333	296,889
Councillor - V Waxa	505,278	390,425
Councillor - ACF Weideman	614,732	522,482
Councillor - M Willemse	328,946	296,890
Councillor - GR Wolmarans	677,531	641,855
Councillor - MH Young	292,677	231,718
Councillor - R Barrell	-	28,702
Councillor - S De Vries	-	36,122
Councillor - M Dyantyi	-	27,482
Councillor - LM Hart	-	28,702
Councillor - N Jantjies	-	28,702
Councillor - ED Jefferys	-	69,348
Councillor - WN Litoli	-	28,702
Councillor - M Lizwani	-	28,702
Councillor - T Nayler	-	28,702
Councillor - PP Nkam	-	28,702
Councillor - CK Witbooi	-	28,702
	<b>8,468,978</b>	<b>7,674,276</b>

### 2018 - Remuneration paid to councillors can be summarised as follows

	Annual Remuneration	Car Allowance	Telephone Allowance	Medical Aid	Pension	Total
Executive Mayor	563,642	198,978	40,800	33,294	-	836,714
Executive deputy mayor	233,810	10,612	15,662	-	-	260,084
Speaker	477,548	159,183	40,800	-	-	677,531
Mayoral Committee Members	1,853,366	223,400	184,187	40,110	236,810	2,537,873
Councillors	3,131,114	350,887	579,360	20,647	74,768	4,156,776
	<b>6,259,480</b>	<b>943,060</b>	<b>860,809</b>	<b>94,051</b>	<b>311,578</b>	<b>8,468,978</b>

### 2017 - Remuneration paid to councillors can be summarised as follows

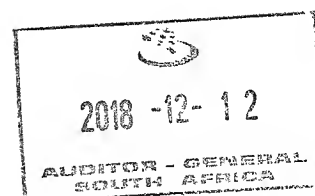
	Annual Remuneration	Car Allowance	Telephone Allowance	Medical Aid	Pension	Total
Executive Mayor	519,275	183,902	22,800	32,432	-	758,409
Executive deputy mayor	648,296	25,313	16,709	-	-	690,318
Speaker	464,291	154,764	22,800	3,373	-	645,228
Mayoral Committee Members	1,400,053	174,142	83,661	14,137	58,201	1,730,194
Councillors	2,976,203	471,151	316,474	33,234	53,065	3,850,127
	<b>6,008,118</b>	<b>1,009,272</b>	<b>462,444</b>	<b>83,176</b>	<b>111,266</b>	<b>7,674,276</b>



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements



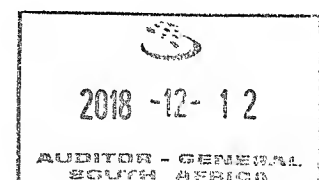
	2018 R	2017 R
<b>30. Debt impairment</b>		
Impairment of Long-term investments and receivables	8,252	-
Receivables from exchange transactions - Refer to note 5	34,276,541	27,805,222
Receivables from non exchange transactions - Refer to note 6	77,991,357	87,475,703
Contributions from Value Added Tax - Refer to note 7	(2,281,324)	(3,419,764)
	<b>109,994,826</b>	<b>111,861,161</b>
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	28,879,427	26,966,788
Investment property	153,333	153,274
Intangible assets	15,799	4,387
	<b>29,048,559</b>	<b>27,124,449</b>
<b>32. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	713,733	4,454,854
<b>Impairment losses recognised</b>		
<b>Property, plant and equipment</b>		
Other assets - Tip sites	713,733	3,900,014
Infrastructure - Electricity	-	554,841
<p>The recoverable amount of the asset was based on its value in use.</p> <ul style="list-style-type: none"> <li>The impairment loss recognised for other assets relates to rehabilitation cost associated with landfill sites capitalised in terms of IGRAP 2. The portion being impaired relates to the fact that all landfill sites in the municipality already reaching the end of its useful life. No further economic benefits is expected from these assets capitalised.</li> <li>During June 2017 Knysna and surrounding areas were subjected to devastating fires which caused significant damage to both private and Municipal Properties.</li> </ul> <p>This event triggered a review of the Municipality's assets in the impacted areas as this is considered to be an indicator of impairment.</p> <p>This review consisted of a re-assessment of the condition and operating ability of the Municipality's assets to determine the extent of the remaining economic benefits and service potential based on Treasury Guidelines.</p> <p>Based on this assessment an impairment loss of R 0 (2017: R 554 841) has been recognized on electricity infrastructure.</p>		
<b>33. Finance costs</b>		
Annuity loans	14,542,745	12,656,005
Stock loans	116,881	116,881
Finance leases	162,927	68,813
Ex-Gratia Pension Funds	9,819	12,741
Landfill Sites	833,651	521,416
Long Service Awards	1,024,342	1,014,927
Post Retirement Medical Benefits	8,834,390	8,176,880
Other	31,894	26,050
	<b>25,556,649</b>	<b>22,593,713</b>

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>34. Lease rentals from operating leases</b>		
Premises	5,024,236	4,502,258
Machinery and equipment operational hire charges	4,989,258	4,991,595
	<b>10,013,494</b>	<b>9,493,853</b>
<b>35. Bulk purchases</b>		
Electricity	156,923,413	159,756,501
<b>36. Contracted services</b>		
<b>Consultants and Professional Services</b>		
Business and Advisory: Project Management	3,583,555	1,287,680
Business and Advisory: Business and financial management	2,939,143	1,010,383
Business and Advisory: Valuer and Assessors	281,629	1,611,931
Business and Advisory: Other	1,680,595	1,451,337
Infrastructure and Planning: Engineering	5,412,477	3,912,179
Infrastructure and Planning: Other	498,825	856,095
Legal cost	2,809,102	6,052,922
Other	55,869	391,833
<b>Contractors</b>		
Building	16,064,518	37,384,092
Electrical	1,074,340	1,986,861
Tourism	3,501,144	4,000,000
Maintenance	44,666,308	50,353,380
Management of Informal Settlements	7,863,196	8,675,685
Prepaid Electricity Vendors	6,280,654	8,083,445
Sewerage Services	500,583	751,175
Other	2,242,471	577,278
<b>Outsourced services</b>		
Administrative and Support Staff	2,472,305	3,897,168
Business and Advisory	2,576,092	724,591
Clearing and Grass Cutting Services	975,317	1,341,685
Internal Auditors	1,674,438	1,750,575
Meter Management	797,305	1,307,676
Refuse Removal	4,065,799	5,381,603
Security Services	4,757,034	4,145,629
Traffic Fines Management	2,868,526	1,720,774
Other	2,017,095	3,368,348
	<b>121,658,320</b>	<b>152,024,325</b>
<b>37. Transfers and subsidies</b>		
<b>Other subsidies</b>		
Grants-in-aid and donations	2,684,314	1,955,044
Bursaries	191,210	-
Social relief	1,847,260	1,776,550
	<b>4,722,784</b>	<b>3,731,594</b>



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>38. Inventory consumed</b>		
Consumables - Standard rated	15,406,237	5,604,897
Consumables - Zero rated	7,231,043	6,860,451
Materials and supplies	26,105,219	19,269,906
	<b>48,742,499</b>	<b>31,735,254</b>

## 39. Operational costs

Advertising and media	2,075,978	1,301,731
Auditors remuneration	5,185,425	3,243,970
Bank charges	1,679,826	1,999,806
Commission paid	482,955	614,692
Clearing of alien vegetation	780,367	608,980
Delivery expenses	1,290,122	1,331,234
Dumping fees	1,941,247	797,163
Entertainment	52,790	37,782
Hire	2,696,169	-
IT expenses	5,746,186	4,392,740
Insurance	4,453,967	3,087,970
Levies	2,246,607	1,982,712
Other expenses	2,683,393	1,776,659
Printing, publications and books	1,075,282	941,753
Staff related (recruitment, training, etc.)	2,564,598	2,400,369
Subscriptions and membership fees	4,954,843	3,496,052
Title deed search fees	502,348	120,672
Travel - local	1,827,003	2,337,342
	<b>42,239,106</b>	<b>30,471,627</b>

Other expenses largely include costs incurred relating to the Youth Advisory Centre and for ward committee support.

## 40. Cash generated from operations

Surplus	69,242,862	55,061,602
<b>Adjustments for:</b>		
Depreciation and amortisation	29,048,559	27,124,449
Loss / (gain) on sale of assets and liabilities	123,836	424,526
Impairment loss	713,733	4,454,854
Debt impairment	109,994,826	111,861,161
Movements in operating lease assets and accruals	(155,456)	(47,221)
Movements in employee benefit obligations	2,726,352	5,399,518
Movements in provisions (excluding IGRAP2 adjustment)	420,687	521,416
Bad debts written off	197,105	1,897,236
Public contributions and donations	(1,333,600)	(150,246)
Government grants and conditional public contributions received	178,709,395	149,841,663
Government grants recognised	(170,935,591)	(162,391,361)
<b>Changes in working capital:</b>		
Inventories	2,574,134	(1,987,082)
Receivables from exchange transactions	(36,263,676)	(18,130,288)
Other receivables from non-exchange transactions	(86,819,602)	(91,620,963)
Prepayments	(2,647,978)	-
Payables from exchange transactions	(788,753)	20,719,247
VAT	(7,167,119)	(4,295,463)
Consumer deposits	1,087,450	530,864
	<b>88,727,164</b>	<b>99,213,912</b>

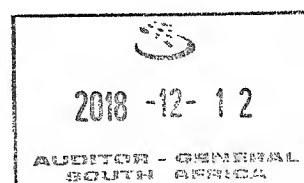


# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>41. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2018</b>		
<b>Financial assets</b>		
	At amortised cost	Total
<b>Long-term investments and receivables</b>		
Fixed deposits	32,358,328	32,358,328
Sundry deposits	6,800	6,800
<b>Receivables from exchange transactions</b>		
Service debtors	50,191,773	50,191,773
Housing rentals	1,110,112	1,110,112
Other debtors	797,142	797,142
<b>Cash and cash equivalents</b>		
Call deposits	20,911,889	20,911,889
Bank balances	58,955,203	58,955,203
	<b>164,331,247</b>	<b>164,331,247</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
<b>Other financial liabilities</b>		
Annuity loans	154,308,757	154,308,757
Local registered stock	710,520	710,520
Trade and other payables from exchange transactions (Excl payments received in advance)	78,789,327	78,789,327
Consumer deposits	12,388,076	12,388,076
Finance lease obligation	1,938,699	1,938,699
	<b>248,135,379</b>	<b>248,135,379</b>
<b>2017</b>		
<b>Financial assets</b>		
	At amortised cost	Total
<b>Long-term investments and receivables</b>		
Fixed deposits	30,342,555	30,342,555
Staff loans	3,859	3,859
Sundry deposits	6,800	6,800
Eastford Ridge public contributions	4,386	4,386
<b>Receivables from exchange transactions</b>		
Service debtors	43,947,128	43,947,128
Housing rentals	881,166	881,166
Other debtors	3,071,859	3,071,859
<b>Cash and cash equivalents</b>		
Call deposits	54,147,065	54,147,065
Bank balances	54,055,724	54,055,724
	<b>186,460,542</b>	<b>186,460,542</b>



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>Financial instruments disclosure (continued)</b>		
<b>Financial liabilities</b>		
	At amortised cost	Total
<b>Other financial liabilities</b>		
Annuity loans	142,712,833	142,712,833
Local registered stock	710,520	710,520
Trade and other payables from exchange transactions (Excl payments received in advance)	84,506,172	84,506,172
Consumer deposits	11,300,626	11,300,626
Finance lease obligation	249,019	249,019
	<b>239,479,170</b>	<b>239,479,170</b>

The disclosure of the previous year was corrected to include the consumer deposits and finance lease obligation as part of the financial liabilities disclosure.

### 42. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Infrastructure	90,380,962	49,239,101
• Other assets	-	12,221,438
• Community	-	4,738,929
	<b>90,380,962</b>	<b>66,199,468</b>

##### This expenditure will be financed from:

External loans	23,804,345	5,104,666
Government grants	62,516,583	27,527,645
Own resources	4,060,034	33,567,157
	<b>90,380,962</b>	<b>66,199,468</b>

The commitments are disclosed VAT exclusive.

#### Operating leases - as lessee (expense)

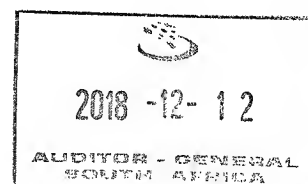
##### Minimum lease payments due

- within one year	381,898	418,132
- in second to fifth year inclusive	-	72,192
	<b>381,898</b>	<b>490,324</b>

The municipality is bound by a lease contract to pay for a mobile application, which ends on 30 September 2018. The municipality also leases printers from Konica Minolta and Bytes, refer to note 16

The municipality did not pay any contingent rent during the year.

The municipality does not engage in any sub-lease arrangements.



# Knysna Municipality

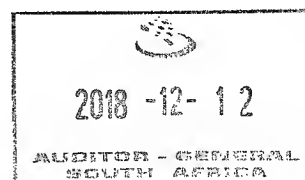
Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>42. Commitments (continued)</b>		
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments due</b>		
- within one year	573,626	197,179
- in second to fifth year inclusive	873,511	487,597
- later than five years	11,263,325	11,402,051
	<b>12,710,462</b>	<b>12,086,827</b>

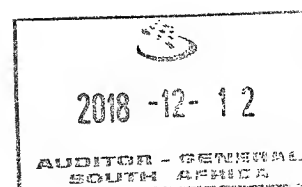
This lease income was determined from contracts that have a specific conditional contractual income. The leases are in respect of land and buildings being leased for periods ranging until 2088.

The municipality does not engage in any sub-lease arrangements. The municipality did not receive any contingent rent during the year.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018



## Notes to the Financial Statements

	2018 R	2017 R
<b>43. Contingencies</b>		
<b>Contingent liabilities</b>		
The municipality is currently engaged in litigation which could result in damages / costs being awarded against Council if claimants are successful in their actions. The following are the estimates:		
<b>Claims against council</b>		
PL Bruwer vs The RAF and KM (Case no. 72310/2012) . The municipality is the second respondent in a claim for personal injury due to a road accident.	1,000,000	1,000,000
Thabo Pitsi Mabula vs KM and 1 other (Case no. 21933/16). This is a High Court litigious matter. Status: Plaintiff appointed an attorney of record.	20,500,000	20,500,000
Thabo Pitsi Mabula vs KM and 1 other (Case no. 21934/16). This is a High Court litigious matter . Status: Plaintiff has withdrawn the proceedings against defendants and tendered costs on a party to party scale.	-	50,000
Thabo Pitsi Mabula vs KM and 1 other (Case no. 21935/16). This is a High Court litigious matter . Status: Plaintiff has withdrawn the proceedings against defendants and tendered costs on a party to party scale.	-	50,000
Thabo Pitsi Mabula vs KM and 1 other (Case no. 21936/16). This is a High Court litigious matter . Status: Plaintiff has withdrawn the proceedings against defendants and tendered costs on a party to party scale.	-	50,000
Garth Bock vs KM - Alleged breach of contract in respect of the upgrading of the ablution facilities at the Hornlee Sportsgrounds (Damages claim)	104,905	104,905
Thabo Pitsi Mabula vs KM and 1 other (Case no. 21937/16). This is a High Court litigious matter . Status: Plaintiff proceedings to trial.	21,400,000	21,400,000
Pierpont vs Knysna Municipality - This matter is pending and instructions are awaited from the Municipality	100,000	100,000
Erf 1257, Knysna vs Knysna Municipality - This matter is pending and it is unclear whether it will proceed or not	-	60,000
Aubrey Tsengwa vs KM and two others (LAC Case no. CA1/2016). This is a labour court matter against the Knysna Municipality. Status: Matter taken on appeal after KM was successful in opposing the Labour Court proceedings.	1,000,000	1,000,000
RDH Gebert & 8 others / Yo-Art Properties (Pty) Ltd vs Knysna Municipality- This matter is pending and it is unclear whether it will proceed or not. Amount claimed in the Summons in the High Court matter.	2,607,000	2,607,000
RDH Gebert & 8 others / Yo-Art Properties (Pty) Ltd vs Knysna Municipality- This matter is pending and it is unclear whether it will proceed or not. Amount claimed in the Summons in the Regional Court matter.	339,332	339,332
Dr N Greve vs. M Mueller and KM (Interdict) - Dr Greve, as Applicant, sought an order interdicting the First Respondent from operating a guest house with the necessary consent.	220,000	220,000
Dr N Greve vs. M Mueller and KM (Review) - Dr Greve has sought to review the decision of KM in respect of their having granted the Second respondent consent to operate a guest house at his property.	295,000	295,000
Entsha Henra vs KM - The claimant had instituted arbitration proceedings seeking payments from KM in respect of time related vis-a-vis works attended by them Tenders T15 and T18 of 2015	35,000	1,308,506
KM vs Ballack (Erf 4) - KM filed an application in the CT high court seeking an order against the owners of Erf 4, Knysna to demolish certain unlawful structures.	15,000	295,000
Thabo Pitsi Mabula vs KM and two others (LC Case no. 955/2015). This is a labour court matter against the KM.	1,000,000	1,000,000
Elegant Line Trading 329 CC vs KM - The plaintiff instituted action against KM claiming repayment for a payment that plaintiff had to make to obtain rates clearance certificate. Knysna Magistrates Court case no 912/16	133,922	133,922
Rotter vs KM - The plaintiff instituted action against KM for damages together with interest and costs resultant from injuries suffered after a manhole cover collapsed.	465,000	465,000
Gerald John and May vs Knysna Municipality - Matter has been settled and an order of the Court was agreed between the parties. Estimated settlement amount for legal fees.	50,000	-

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>43. Contingencies (continued)</b>		
Trackstar Trading Pty Ltd vs Knysna Municipality. KM refusal of Trackstar's LUPO application for rezoning, sub-division and departure	370,000	-
Loisuro Ielo Residents Association vs Knysna Municipality. KM responsible for repair and maintenance of the sea walls surrounding the suburb	100,000	-
Fusion Prop 47 CC vs KM - It is alleged that the then building inspector Mr R Botha had unlawfully failed to allow the plaintiff to secure the safety of a steel warehouse structure on Erf 12663 Knysna.	-	2,500,000
D Adonis and 5 others vs Knysna Municipality (Labour court matter). Potential legal cost estimation for outstanding bonuses claimed against the municipality.	400,000	-
	<b>50,135,159</b>	<b>53,478,665</b>

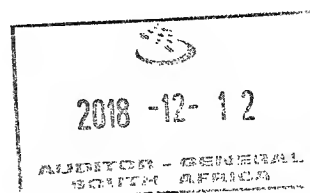
### Contingent assets

The municipality engaged, and declared a dispute with Eden District Municipality over the ownership of properties which both municipalities claim as their properties.

The municipality resolved to continue with the Intergovernmental Dispute (IGD) and should same fail, to obtain a declaratory order through a competent court to ensure transfer of the following properties:

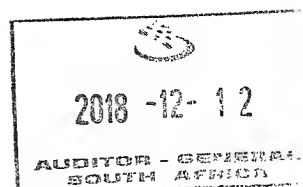
Property	Possible classification	Valuation R
Portion 1, 2 and 3 of the farm 215 Walkers Point	Investment Property	20,200,000
Erf 20 - Belvidere	Investment Property	460,000
Erf 21 - Belvidere	Investment Property	460,000
Erf 22 - Belvidere	Investment Property	460,000
Erf 2790 Knysna	Property, plant and equipment	2,900,000
Portion 22 of farm 191 Westford	Investment Property	600,000
Portion 0, 1 and 2 of farm 185 George road - Swartvlei Caravan Park	Property, plant and equipment	39,000,000
		<b>64,080,000</b>

The properties are not yet recognised in the municipality's financial statements.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018



## Notes to the Financial Statements

	2018 R	2017 R
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### 44. Related parties

Relationships	Refer to the General information
Councillors	Refer to the General information
Municipal Manager	Director Community Services
Members of key management	Director Corporate Services
	Director Financial Services
	Director Planning and Development
	Director Technical Services

### Related party transactions

Year ended 30 June 2018	Rates levied	Service charges levied	Other charges levied	Outstanding balance at year end
Councillors	59,193	157,973	3,600	69,656
Municipal Manager and Section 56 Personnel	18,094	20,162	-	879
	<b>77,287</b>	<b>178,135</b>	<b>3,600</b>	<b>70,535</b>

Year ended 30 June 2017	Rates levied	Service charges levied	Other charges levied	Outstanding balance at year end
Councillors	87,476	252,439	91,662	84,941
Municipal Manager and Section 56 Personnel	19,683	49,371	12,562	7,460
	<b>107,159</b>	<b>301,810</b>	<b>104,224</b>	<b>92,401</b>

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. All transactions are at arm's length.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

### Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 4 to the Annual Financial Statements.

### Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

### Other Supply Chain Transactions

The following purchases were made during the year where Councillors or Staff have an interest:

Councillor/Staff member	Relationship	Entity	2018	2017
Mr. R Bouwer (Stores Clerk)	Father-in-law	JC Terblance t/a P&H Services	243,244	-
Ms. L Grobler (Customer care admin assistant)	Spouse	Q&E Carpet Cleaners Knysna	1,037	7,436
Ms. S. Pretorius (Payroll Officer)	Spouse	Virtually present	-	60,950
Ms. E Van den Berg (Accountant - Meter reading)	Spouse	J T van den Berg	600	742
Ms. TS Guzana-Tseke (Senior Clerk: Records)	Spouse	Tseke Transport and Shuttle Services	6,000	34,500
Mr. ZRM Dulwana (Artisan Diesel Mechanic) and Ms. T Mpebe (Payroll Clerk)	Spouse	Nathi G General Trading	-	26,100
Ms. N Mlisana (Procurement Clerk)	Brother	Mtimkulu: S	6,600	-

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

			2018 R	2017 R
<b>44. Related parties (continued)</b>				
<b>Councillor/Staff member</b>	<b>Relationship</b>	<b>Entity</b>	<b>2018</b>	<b>2017</b>
Mr. C Hardnick (Senior Supervisor - Parks)	Brother	FK Hardnick	27,000	35,370
Mr. FE Frodoricks (Sonior Firoman)	Fathor	D Frodoricks	5,880	50,410
Ms. L Plaatjies (Network and system administrator)	Brother-in-law	MM Jantjies (Transport)	25,895	37,000
Mr. AP Goosen (Supervisor - Sewerage)	Brother	BB car wash	665	2,151
Ms. S Fourie (SCM clerk)	Uncle	Julyan D	49,500	26,100
Ms. LV Bruiners (Motor vehicle registration clerk)	Brother	Witbooi C	12,004	20,188
Mr. MJ Kalani	Business Partner	Mosdell Pama & Cox	272,312	359,619
Mr. S Mzondi (Traffic Officer)	Brother	African Compass Trading 3	346,200	319,420
Ms. S Mtna (Chief Clerk: Administration)	Mother	LT Mtna	-	13,195
Mr. A Bans (Superintendent - Traffic)	Son	Tolo & Miles	2,752,397	1,749,091
Ms. NV Dyani (General assistant)	Spouse	Siskonke CX Construction (Pty) Ltd	2,740	63,850
Mr. ME Gqotholo (Artisan: Electrician)	Spouse	Ambesa G Enterprises (Pty) Ltd	33,075	-
Mr. NJ Siyona (Supervisor: Roads)	Spouse	Nokamboze (Pty) Ltd	-	9,608
Mr. Z Ngxwahula (Small plant operator)	Spouse	Khakhana (Pty) Ltd	-	3,600
Ms. C Bezuidenhout (Chief Clerk: Procurement)	Spouse	W Bezuidenhout	12,950	800
Ms. E Petersen	Brother in Law	Thomas McCarthy	102,190	42,430
Ms. M Sass (Senior Clerk : Administration) and Mr. J Sass (General assistant)	Uncle	DJ Sass Construction	2,116,695	968,640
Ms. C Stroebel (Corporate: Receptionist)	Mother	Stroebel: BC	176,519	41,795
Mr. ET Prins (Member of the audit committee)	Company secretary	G7 Construction (Pty) Ltd	6,800	19,850
Mr. JN Williams (Senior Supervisor: Public Works)	Spouse	N Williams	8,755	-
Mr. MWL Spies (Senior Fireman)	Spouse	M and M Spies Funeral Directors (Pty) Ltd	3,000	-
			<b>6,212,058</b>	<b>3,892,845</b>

### 45. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the the following change in accounting policy as approved by council:

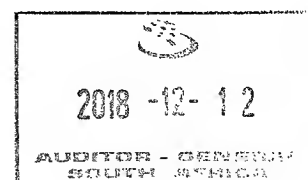
The Valuation Roll Reserve, Non-Current Provision Reserve and Employee Benefits Reserve will no longer be used as these reserves are not required by the Standards of Generally Recognised Accounting Practice, and will transferred to the Capital Replacement Reserve as approved by council.

The aggregate effect of the changes in accounting policy on the financial statements for the year ended 30 June 2017 is as follows:

#### Statement of financial position

##### Valuation Roll Reserve

Balance previously reported	-	1,648,000
Change in accounting policy adjustment	-	(1,648,000)
	-	-



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>45. Changes in accounting policy (continued)</b>		
<b>Non-current Provision Reserve</b>		
Balance previously reported	-	5,758,204
Change in accounting policy adjustment - Opening balance	-	(4,738,229)
Change in accounting policy adjustment - 2017 transfer to funding reserve	-	(1,019,975)
	-	-
<b>Employee Benefit Reserve</b>		
Balance previously reported	-	9,575,074
Change in accounting policy adjustment - Opening balance	-	(8,408,188)
Change in accounting policy adjustment - 2017 transfer to funding reserve	-	(1,166,886)
	-	-
<b>Capital Replacement Reserve</b>		
Balance previously reported	-	19,869,391
Change in accounting policy adjustment - Opening balance	-	14,794,417
Change in accounting policy adjustment - 2017 transfer to funding reserve	-	2,186,861
	-	36,850,669

The change in accounting policy does not have any effect on the cash-flow statement as all the movements are non-cash movements.

## 46. Reclassifications

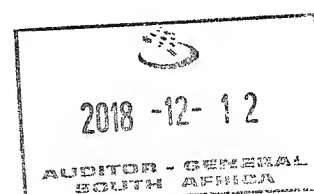
### Reclassification of income and expenses to conform with the Standard Chart of Accounts (mSCOA) for Local Government

National Treasury issued a Standard Chart of Accounts for Local Government (mSCOA) effective on 1 July 2017.

National Treasury have to report on consolidated local government information for incorporation in national accounts and national policy and must obtain financial information from individual municipalities. Previously, each municipality managed and reported on its financial affairs in accordance with its own organisational structure and unique chart of accounts. The resulted in a disjuncture amongst municipalities and the other spheres of government as to how they classify revenue and expenditure and consequently report thereon. The reported classes within the Property, plant and equipment note was also aligned to the mSCOA chart of accounts. This only effects the disclosure and resulted in no change in the reported Property, plant and equipment value. Refer to note 11.

With mSCOA, National Treasury has specified norms and standards for recording and collecting local government budget, financial and non-financial information. This will result in a more seamless alignment of information between budgeted information and the actual achievements in financial statements.

Refer to note 47 for the reclassifications to conform with the mSCOA chart of accounts.

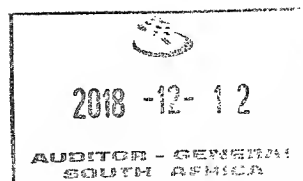




# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

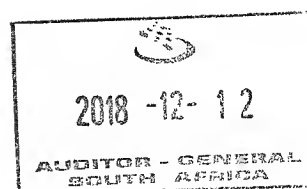


		2018 R	2017 R	
<b>47. Prior period adjustments</b>				
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2017 previously reported</b>	<b>mSCOA reclassifi- cations</b>	<b>Adjustments of errors and policies</b>	<b>2017 restated</b>
<b>Assets</b>				
<b>Current Assets</b>				
Inventories	8,092,714	-	-	8,092,714
Receivables from exchange transactions	48,601,110	(700,957)	-	47,900,153
Receivables from non-exchange transactions (47.4)	60,466,983	931,816	822,786	62,221,585
Unpaid conditional grants and receipts	17,338,737	-	-	17,338,737
Long term investments and receivables	8,245	-	-	8,245
VAT receivable	10,285,042	-	-	10,285,042
Cash and cash equivalents	108,212,939	-	-	108,212,939
	<b>253,005,770</b>	<b>230,859</b>	<b>822,786</b>	<b>254,059,415</b>
<b>Non-current Assets</b>				
Property, plant and equipment (47.2)	929,264,008	-	(17,164,408)	912,099,600
Investment property (Note 47.1)	77,003,501	-	64,519	77,068,020
Intangible assets	169,904	-	-	169,904
Heritage assets	17,435,046	-	-	17,435,046
Long term investments and receivables	30,349,355	-	-	30,349,355
Operating lease asset	1,752,479	-	-	1,752,479
	<b>1,055,974,293</b>	<b>-</b>	<b>(17,099,889)</b>	<b>1,038,874,404</b>
<b>Total Assets</b>	<b>1,308,980,063</b>	<b>230,859</b>	<b>(16,277,103)</b>	<b>1,292,933,819</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Long-term liabilities	14,709,352	-	-	14,709,352
Finance lease obligation	237,480	-	-	237,480
Payables from exchange transactions (Note 47.4)	94,676,520	230,859	(1,291,083)	93,616,296
Consumer deposits	11,300,626	-	-	11,300,626
Employee benefit obligation	26,446,065	-	-	26,446,065
Unspent conditional grants and receipts	4,897,933	-	-	4,897,933
	<b>152,267,976</b>	<b>230,859</b>	<b>(1,291,083)</b>	<b>151,207,752</b>
<b>Non-Current Liabilities</b>				
Long-term liabilities	128,714,001	-	-	128,714,001
Finance lease obligation	11,539	-	-	11,539
Employee benefit obligation	101,380,885	-	-	101,380,885
Provisions (note 47.3)	28,791,023	-	(16,951,513)	11,839,510
	<b>258,897,448</b>	<b>-</b>	<b>(16,951,513)</b>	<b>241,945,935</b>
<b>Total Liabilities</b>	<b>411,165,424</b>	<b>230,859</b>	<b>(18,242,596)</b>	<b>393,153,687</b>
<b>Total Net Assets</b>	<b>897,814,639</b>	<b>-</b>	<b>1,965,493</b>	<b>899,780,132</b>
<b>STATEMENT OF FINANCIAL POSITION (CONTINUED)</b>				
	<b>2017 previously reported</b>	<b>mSCOA reclassifi- cations</b>	<b>Adjustments of errors and policies</b>	<b>2017 restated</b>
<b>Net Assets</b>				
Valuation roll reserve (note 45)	1,648,000	-	(1,648,000)	-
Non-Current Provision Reserve (note 45)	5,758,204	-	(5,758,204)	-
Capital Replacement Reserve (note 45)	19,869,391	-	16,981,278	36,850,669
Employee Benefits Reserve (note 45)	9,575,074	-	(9,575,074)	-
Accumulated surplus (Note 47)	860,963,970	-	1,965,493	862,929,463
	<b>897,814,639</b>	<b>-</b>	<b>1,965,493</b>	<b>899,780,132</b>

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements



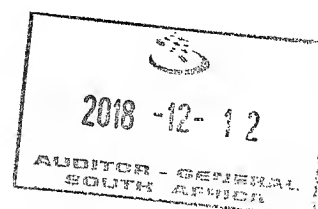
	2018 R	2017 R
<b>47. Prior period adjustments (continued)</b>		
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>		
	<b>2017 previously reported</b>	<b>mSCOA reclassifi- cations</b>
<b>Revenue from exchange transactions</b>	357,332,882	807,951
Service charges	324,559,834	(2,578,771)
Rental of facilities and equipment	5,290,371	-
Interest received - outstanding debtors	8,027,832	-
Interest received - external investments	11,105,041	-
Agency services	2,738,923	-
Licences and permits	1,755,616	-
Third party payments (Insurance claims)	1,373,696	-
Stock adjustments	114,252	-
Other income / Operational revenue	2,367,317	(1,099,491)
Sales of goods and rendering of services	-	4,486,213
<b>Revenue from non-exchange transactions</b>	464,499,215	(808,450)
Property rates	187,779,699	-
Property rates - penalties and collection charges	3,547,546	(3,547,546)
Government grants and subsidies	162,391,364	-
Public contributions and donations	151,120	165,068
Fines, penalties and forfeits (Note 47.4)	102,139,680	3,581,201
Actuarial Gains	7,482,633	-
Augmentation fees	713,920	(713,920)
Other income	293,253	(293,253)
	<b>821,832,097</b>	<b>(499)</b>
<b>Expenditure</b>		
Employee related cost	204,291,686	2,478,852
Remuneration of councillors	7,674,276	-
Loss on disposal of assets	424,526	-
Depreciation and amortisation (Note 47.2)	27,051,402	-
Impairment of assets	4,454,854	-
Debt impairment (Note 47.4)	111,245,185	(1,897,236)
Finance cost	22,593,713	-
Lease rental on operating lease	4,502,258	4,991,595
Collection cost	913,305	(913,305)
Repairs and maintenance	61,195,946	(61,195,946)
Bulk purchases	159,871,477	(114,976)
Contracted services (Note 47.2)	27,686,635	118,774,738
Grants and subsidies paid / Transfers and subsidies	5,955,044	(2,223,450)
Bad debt written off	-	1,897,236
General expenses / Operational costs (Note 47.3)	124,683,425	(93,533,261)
Inventory consumed	-	31,735,254
	<b>762,543,732</b>	<b>(499)</b>
<b>Surplus / (Deficit) for the year</b>	<b>59,288,365</b>	<b>(4,226,763)</b>
<b>CASH FLOW STATEMENT</b>		
	<b>2017 previously reported</b>	<b>mSCOA reclassifi- cations</b>
Net cash from operating activities	104,776,864	(5,562,952)
Net cash from investing activities	(97,721,059)	5,562,952
Net cash from financing activities	25,590,634	-
Total cash movement for the year	32,646,439	-
Cash and cash equivalents at the beginning of the year	75,566,500	-
	<b>108,212,939</b>	<b>-</b>

# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>47. Prior period adjustments (continued)</b>		
<b>47.1 Corrections to Investment property</b>		
The following retrospective restatements were made to fines revenue and receivables:		
<ul style="list-style-type: none"><li>Overstatement of cost and accumulated depreciation and impairment to the value of R 1 636 000 respectively. Only a disclosure adjustment with no effect on the carrying value of investment property.</li><li>Accumulated depreciation to the value of R 64 519 was incorrectly previously recognised, resulting in an understatement of Investment property.</li></ul>		
<b>47.2 Corrections to Property, plant and equipment</b>		
The following retrospective restatements were made to Property, plant and equipment:		
<ul style="list-style-type: none"><li>Overstatement of cost and accumulated depreciation and impairment to the value of R 730 535 respectively on solid waste infrastructure. Only a disclosure adjustment with no effect on the carrying value of Property, plant and equipment.</li><li>Contracted services expenditure to the value of R 17 074 809 was incorrectly recognised as part of infrastructure work in progress.</li><li>Ablution facilities with a carrying value of R 128 700 was incorrectly recognised as part of land in the previous year.</li><li>Depreciation to the value of R 75 299 was not charged on infrastructure assets.</li></ul>		
<b>47.3 Corrections to Provisions</b>		
The following retrospective restatements were made to the clearing of alien vegetation provision:		
<ul style="list-style-type: none"><li>It was resolved that the clearing of alien vegetation is rather an on-going maintenance activity than an obligating event on any particular year-end. As per the requirements of GRAP 19.25 no provision is to be recognised for on-going activities.</li></ul>		
<b>47.4 Corrections to traffic fines</b>		
The municipality did not account for traffic fines issued by the provincial traffic department. The following retrospective restatements were made:		
<ul style="list-style-type: none"><li>Traffic fines revenue to the value of R 3 243 911 was incorrectly not recognised in the previous financial year.</li><li>Receivables from non-exchange transactions were understated by R 822 786.</li><li>Debt impairment previously understated due to the uncollectible traffic fines to the value of R 2 513 212.</li><li>Overstatement of payables from exchange transactions (unallocated deposits) due to the historical receipts of provincial traffic fines to the value of R 1 291 083.</li></ul>		
<b>The effect of these prior year error corrections are as follows:</b>		
<b>Investment property</b>		
Balance previously reported		77,003,501
Incorrect disclosure of cost and accumulated depreciation and impairment - Cost opening balance		(1,636,000)
Incorrect disclosure of cost and accumulated depreciation and impairment - Accumulated depreciation and impairment opening balance		1,636,000
Depreciation incorrectly previously recognised - Accumulated depreciation - opening balance		60,837
Depreciation incorrectly previously recognised - Accumulated depreciation - depreciation charge		3,682
2017		
<b>Restated balance as at 30 June 2017</b>		<b>77,068,020</b>

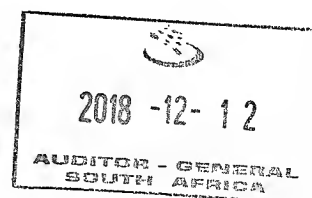


# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>47. Prior period adjustments (continued)</b>		
<b>Property, plant and equipment</b>		
Balance previously reported		929,264,008
Incorrect disclosure of cost and accumulated depreciation and impairment - Solid waste infrastructure - Cost opening balance		(730,535)
Incorrect disclosure of cost and accumulated depreciation and impairment - Solid waste infrastructure - Accumulated depreciation and impairment opening balance		730,535
Contracted services: contractors expenditure recognised as infrastructure work in progress - Cost opening balance		(11,511,857)
Contracted services: contractors expenditure recognised as infrastructure work in progress - Cost additions		(5,562,952)
Ablution facilities incorrectly recognised as part of land in the previous years - Community assets - cost opening balance		143,000
Ablution facilities incorrectly recognised as part of land in the previous years - Land - cost opening balance		(143,000)
Ablution facilities incorrectly recognised as part of land in the previous years - Community assets - accumulated depreciation opening balance		(12,870)
Ablution facilities incorrectly recognised as part of land in the previous years - Community assets - accumulated depreciation - depreciation charge 2017		(1,430)
Depreciation not charged on completed infrastructure projects - Roads infrastructure - accumulated depreciation - depreciation charge 2017		(48,478)
Depreciation not charged on completed infrastructure projects - Sanitation infrastructure - accumulated depreciation - depreciation charge 2017		(11,929)
Depreciation not charged on completed infrastructure projects - Storm water infrastructure - accumulated depreciation - depreciation charge 2017		(8,319)
Depreciation not charged on completed infrastructure projects - Water supply infrastructure - accumulated depreciation - depreciation charge 2017		(6,573)
<b>Restated balance as at 30 June 2017</b>		<b>912,099,600</b>
<b>Provisions</b>		
Balance previously reported		28,791,023
Clearing of alien vegetation on-going activity incorrectly previously provided for - Opening balance		(16,272,976)
Clearing of alien vegetation on-going activity incorrectly previously provided for - Prior year expenditure		(678,537)
<b>Restated balance as at 30 June 2017</b>		<b>11,839,510</b>
<b>Accumulated surplus / (Deficit) opening balance</b>		
Balance previously reported as at 01 July 2016		818,731,856
Depreciation incorrectly previously recognised on Investment property		60,837
Contracted services: contractors expenditure recognised as infrastructure work in progress		(11,511,857)
Ablution facilities incorrectly recognised as part of land in the previous years - Community assets		(12,870)
Clearing of alien vegetation provision		16,272,976
Provincial traffic fines incorrectly not previously recognised		1,383,171
<b>Restated balance as at 30 June 2017</b>		<b>824,924,113</b>
<b>Receivables from non-exchange transactions</b>		
Balance previously reported after reclassifications		61,398,799
Provincial traffic fines incorrectly not previously recognised - Opening balance		541,396
Provincial traffic fines incorrectly not previously recognised - Fines issued 2017		3,243,910
Provincial traffic fines incorrectly not previously recognised - Fines paid 2017		(449,308)
Provincial traffic fines incorrectly not previously recognised - Debt impairment 2017		(2,513,212)
<b>Restated balance as at 30 June 2017</b>		<b>62,221,585</b>

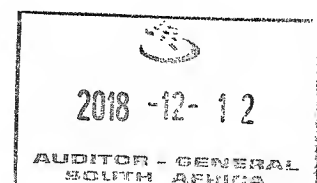


# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>47. Prior period adjustments (continued)</b>		
<b>Payables from exchange transactions - Other payables</b>		
Balance previously reported after reclassifications		94,907,379
Provincial traffic fines incorrectly not previously recognised - receipts recognised as unallocated deposits		(1,291,083)
<b>Restated balance as at 30 June 2017</b>		<b>93,616,296</b>
<b>Revenue from non-exchange transactions - Fines, penalties and forfeits</b>		
Balance previously reported after reclassifications		105,720,881
Provincial traffic fines incorrectly not previously recognised - Fines issued 2017		3,243,911
<b>Restated balance as at 30 June 2017</b>		<b>108,964,792</b>
<b>Debt impairment</b>		
Balance previously reported after reclassifications		109,347,949
Provincial traffic fines incorrectly not previously recognised - Debt impairment 2017		2,513,212
<b>Restated balance as at 30 June 2017</b>		<b>111,861,161</b>
<b>Depreciation and amortisation</b>		
Balance previously reported		27,051,402
Depreciation incorrectly previously recognised on Investment property		(3,682)
Ablution facilities incorrectly recognised as part of land in the previous years		1,430
Depreciation not charged on completed infrastructure projects		75,299
<b>Restated balance as at 30 June 2017</b>		<b>27,124,449</b>
<b>Contracted services</b>		
Balance previously reported after reclassifications		146,461,373
Contracted services: contractors expenditure recognised as infrastructure work in progress		5,562,952
<b>Restated balance as at 30 June 2017</b>		<b>152,024,325</b>
<b>Operational costs</b>		
Balance previously reported after reclassifications		31,150,164
Clearing of alien vegetation provision		(678,537)
<b>Restated balance as at 30 June 2017</b>		<b>30,471,627</b>



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 48. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

#### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and ensures that borrowing facilities are available to meet its cash requirements.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2018	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Long term liabilities:				
Annuity loans and local registered stock	35,099,845	104,826,152	87,080,709	9,542,034
Trade and other payables	78,789,327	-	-	-
Finance lease obligation	937,025	1,310,888	-	-
At 30 June 2017				
Long term liabilities:				
Annuity loans and local registered stock	28,952,061	96,506,187	88,299,014	13,519,110
Trade and other payables	84,506,172	-	-	-
Finance lease obligation	246,767	11,691	-	-

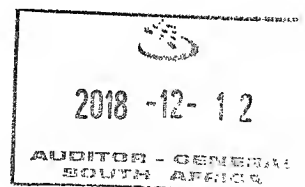
#### Credit risk

Credit risk is the risk that a counter party to a financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 48. Risk management (continued)

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to notes 6 and 5 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

Other Financial Assets and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposure in respect of the relevant financial instruments are as follows:

Financial instrument	2018	2017
Receivables from exchange transactions	52,099,027	48,601,110
Cash and cash equivalents	79,877,042	108,202,789
Long-term investments and receivables	32,365,128	30,357,600
	<u>164,341,197</u>	<u>187,161,499</u>

### Market risk

#### Interest rate risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

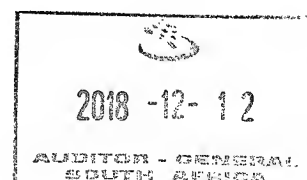
This risk is managed on an ongoing basis by comparison between current market related rates and historical rates and adjustments made where considered necessary.

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus for the year due to changes in interest rates are as follows:

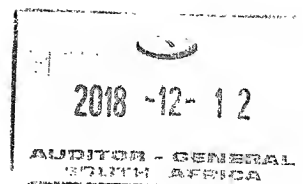
1% (2017: 1%) Increase in interest rates (decrease in surplus)	(435,347)	(589,580)
1% (2017: 1%) Decrease in interest rates (increase in surplus)	435,347	589,580



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements



	2018 R	2017 R
<b>49. Unauthorised expenditure</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	-	32,635,016
Unauthorised expenditure current year	9,208,835	-
Approved by Council	-	(32,635,016)
Unauthorised expenditure awaiting authorisation	<b>9,208,835</b>	<b>-</b>

The unauthorised expenditure relates to over expenditure of approved budgets per vote in total.

Budget Comparison by Municipal Vote in total	2018 (Actual)	2018 (Budget)	2018 (Variance)	2018 (Unauthorised)
Executive and Council	39,130,263	55,933,118	(16,802,855)	-
Corporate	30,846,342	30,447,010	399,332	399,332
Finance	62,900,573	73,316,348	(10,415,775)	-
Planning	85,131,069	95,155,933	(10,024,864)	-
Community	236,632,109	238,835,934	(2,203,825)	-
Electricity	203,405,899	203,485,210	(79,311)	-
Technical	247,893,302	239,083,799	8,809,503	8,809,503
	<b>905,939,557</b>	<b>936,257,352</b>	<b>(30,317,795)</b>	<b>9,208,835</b>

Budget Comparison by Municipal Vote - Operating Expenditure	2018 (Actual)	2018 (Budget)	2018 (Variance)	2018 (Unauthorised)
Executive and Council	37,679,321	54,407,693	(16,728,372)	-
Corporate	30,836,342	30,437,010	399,332	-
Finance	58,244,109	66,313,160	(8,069,051)	-
Planning	61,615,706	62,229,800	(614,094)	-
Community	214,184,903	218,846,310	(4,661,407)	-
Electrical	178,349,548	178,029,670	319,878	-
Technical	195,363,144	186,906,450	8,456,694	-
	<b>776,273,073</b>	<b>797,170,093</b>	<b>(20,897,020)</b>	<b>-</b>

Budget Comparison by Municipal Vote - Capital Expenditure	2018 (Actual)	2018 (Budget)	2018 (Variance)	2018 (Unauthorised)
Executive and Council	1,450,942	1,525,425	(74,483)	-
Corporate	10,000	10,000	-	-
Finance	4,656,464	7,003,188	(2,346,724)	-
Planning	23,515,363	32,926,133	(9,410,770)	-
Community	22,447,206	19,989,624	2,457,582	-
Electrical	25,056,351	25,455,540	(399,189)	-
Technical	52,530,158	52,177,349	352,809	-
	<b>129,666,484</b>	<b>139,087,259</b>	<b>(9,420,775)</b>	<b>-</b>

Depreciation was over budgeted on other votes and under budgeted on Technical and Corporate. This is a non-cash item.

## 50. Fruitless and wasteful expenditure

<b>Reconciliation of fruitless and wasteful expenditure</b>		
Opening balance	123,897	73,748
Fruitless and wasteful expenditure - current year	684	50,149
Fruitless and wasteful expenditure awaiting investigation	<b>124,581</b>	<b>123,897</b>

The recoverability of the expenditure will be determined by the Council after an investigation by a Council Committee in terms of Section 32 of the MFMA.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

		2018 R	2017 R
<b>50. Fruitless and wasteful expenditure (continued)</b>			
<b>Details of fruitless and wasteful expenditure</b>	<b>Disciplinary steps taken/criminal proceedings</b>	<b>2018</b>	<b>2017</b>
Building constructed and demolished	None	-	24,099
Interest and penalties paid on Nedfleet services	None	-	26,050
Interest on Telkom account	None	684	-
		<b>684</b>	<b>50,149</b>

## 51. Irregular expenditure

### Reconciliation of irregular expenditure

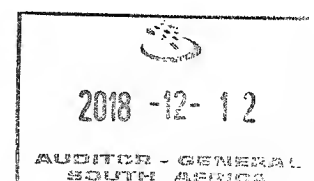
Opening balance	11,683,763	5,238,231
Irregular expenditure written off by council	-	-
Irregular expenditure - current year	18,534,723	6,445,532
	<b>30,218,486</b>	<b>11,683,763</b>

The classification, validation and recoverability of the expenditure will be determined by the Council after an investigation by a Council Committee in terms of Section 32 of the MFMA.

Irregular expenditure of R 587 090 was incorrectly recognised as part of impractical deviations in the previous financial year. In accordance with GRAP 3 the comparative disclosure was corrected to restate the total irregular expenditure of R 11 096 673 as previously reported to the correct previous year irregular expenditure of R 11 683 763.

### Details of irregular expenditure – current year

	<b>Disciplinary steps taken/criminal proceedings</b>	<b>2018</b>	<b>2017</b>
Previous tender lapsed	None	4,596,227	-
Extension of rental contract not in line with the regulations	None	3,747,973	-
Extension of tender contract value not approved by the BAC	None	1,344,349	-
Work performed outside of the tender scope	None	269,374	-
Splitting of quotations	None	190,904	-
Appointment in contravention with section 66 (3) of the MSA	None	72,116	-
Expenditure exceeding award without authorisation	None	29,431	-
Insufficient written or verbal quotations obtained	None	-	17,064
Incorrect SCM processes followed	None	2,570,903	1,555,073
Work done before order or quotations were obtained	None	-	1,215,555
Theft 15 years ago	Yes	-	400
Local awarding of tenders	None	-	130,304
Reasons for deviation not in line with regulation 36	None	5,713,446	3,527,136
		<b>18,534,723</b>	<b>6,445,532</b>



# Knysna Municipality

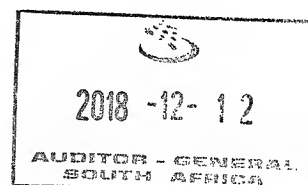
Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
<b>52. Material losses</b>		
<b>Electricity distribution losses</b>		
Units purchased (Mwh)	179,158	183,501
Units lost during distribution (Mwh)	15,914	15,034
Percentage lost during distribution	8.88 %	8.19 %
<b>Water distribution losses</b>		
Mega litres purified	5,073	5,310
Mega litres lost during distribution	1,463	1,269
Percentage lost during distribution	28.84 %	23.90 %
There is no possibility of recovering any of the material losses.		
<b>53. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government MFMA 125 (1) - SALGA contributions</b>		
Opening balance	273,627	273,627
Current year expense	2,171,537	1,956,381
Amount paid - current year	(2,171,537)	(1,956,381)
	<b>273,627</b>	<b>273,627</b>
<b>Audit fees - MFMA 125 (1)</b>		
Current year expense	5,093,437	3,243,800
Amount paid - current year	(5,093,437)	(3,243,800)
	<b>-</b>	<b>-</b>
<b>PAYE and UIF - MFMA 125 (1)</b>		
Opening balance	29,359	29,359
Current year expense	(33,385,102)	26,740,895
Amount paid - current year	33,385,102	(26,740,895)
	<b>29,359</b>	<b>29,359</b>
<b>Pension and Medical Aid Deductions - MFMA 125 (1)</b>		
Current year expense	50,959,867	46,740,992
Amount paid - current year	(50,959,867)	(46,740,992)
	<b>-</b>	<b>-</b>
<b>VAT - MFMA 125 (1)</b>		
Opening balance	2,970,544	4,143,777
Amounts received - previous year	(3,993,740)	(5,175,996)
Amounts received - current year	(53,242,219)	(50,921,903)
Amounts claimed - previous year	61,822,130	54,915,643
Corrections	214,808	9,023
	<b>7,771,523</b>	<b>2,970,544</b>

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts - MFMA 124 (1)

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Gombo E	-	13,685	13,685
Tswenga N A	-	11,811	11,811
Pofadder D	-	21,027	21,027
Waxa V	-	1,872	1,872
Bouw-Spies E	-	640	640
	-	<b>49,035</b>	<b>49,035</b>

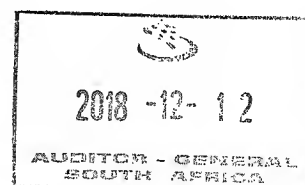
30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Gombo E	-	10,316	10,316
Tswenga N A	-	18,261	18,261
Pofadder D	-	22,082	22,082
Waxa V	-	7,152	7,152
	-	<b>57,811</b>	<b>57,811</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days:

30 June 2018	Highest outstanding amount	Aging (in days)
Gombo E	8,900	>150 days
Tswenga N A	6,909	>150 days
Pofadder D	14,923	>150 days
Waxa V	1,872	>150 days
Bouw-Spies E	91	>150 days
	<b>32,695</b>	<b>-</b>

30 June 2017	Highest outstanding amount	Aging (in days)
Gombo E	10,316	>150 days
Tswenga N A	18,261	>150 days
Pofadder D	22,082	>150 days
Waxa V	7,152	>150 days
	<b>57,811</b>	<b>-</b>



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. Deviations from the Supply Chain Management processes were identified for the following categories and have been approved by the Accounting Officer and reported to Council.

Emergency - par 36 (1)(a) i	2,100,944	14,504,526
Single source or sole provider - par 36 (1)(a) ii	1,086,515	6,473,184
Impractical - par 36 (1)(a) v	15,713,412	65,682,094
	<b>18,900,871</b>	<b>86,659,804</b>

Irregular expenditure of R 587 090 was incorrectly recognised as part of impractical deviations in the previous financial year. In accordance with GRAP 3 the comparative disclosure was corrected to restate the total deviations of R 87 246 894 as previously reported to the correct previous year deviations of R 86 659 804.

### 54. Private Public Partnerships

Council has not entered into any private public partnerships during the financial year.

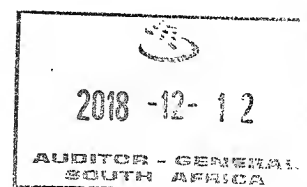
### 55. Statutory receivables

In accordance with the principles of GRAP 108, Statutory receivables of the municipality are classified as follows:

<b>Taxes</b>		
VAT Receivable	17,452,161	10,285,042
<b>Receivables from Non-exchange transactions</b>		
Rates	45,454,782	32,408,658
Fines	23,275,897	26,806,179
	<b>86,182,840</b>	<b>69,499,879</b>

### 56. Events after the reporting date

After the financial year end, a heritage asset was damaged. The heritage asset is situated on 66 Church street, erf 1343, in the Knysna central business district. The damage was to the roof of the building and was caused by a fire in the building, an estimate of the financial effect could not yet be determined.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 57. Budget differences

#### Material differences between budget and actual amounts

#### Statement of Financial Performance:

##### 57.1 Service charges

The R4.1 mil variances on the service charges was due to the debt collection procedures such as disconnecting services for debt more than 90days, has led to more actuals being received than budgeted.

##### 57.2 Investment revenue

The variance is due to the anticipation that the water outstanding debt would increase more than the actuals realised.

##### 57.3 Transfers recognised - operational

Underspending on housing projects. Revenue recognition can not be done if expenditure is not incurred.

##### 57.4 Other own revenue

The variance is due to the decrease in fines issued in this year in comparison with the previous year.

##### 57.5 Transfers and Subsidies

The R3.5mil variance is due to Tourism being budgeted under Transfers and Subsidies, but the nature of the expenditure was contracted services.

##### 57.6 Other Expenditure

Contracted services amounting to R3.7mil incorrectly budgeted as Operational Cost: Management Fee.

Operational Cost: External Audit Fees was budgeted R1.4mil more than was actually spent.

#### Statement of Financial Position:

##### 57.7 Cash

The difference is mainly due to the over-estimate on the collection percentage of consumer debtors budgeted for as well as the underspending on Property, plant and equipment.

##### 57.8 Consumer debtors

Over-estimate on collection percentage budgeted for.

##### 57.9 Inventory

Budget was adjusted to be aligned with the previous financial year. Inventory consumed was more during the current year.

##### 57.10 Other non-current assets

This is due to the recognition of operating lease assets straightlining as per GRAP.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 57. Budget differences (continued)

#### 57.11 Current borrowing

Budget was adjusted to be aligned with the previous financial year and a new loan was taken up on year end.

#### 57.12 Provisions

The provision of alien vegetation was budgeted for under provisions. This was restated in the financial statements. Refer to note 47. An actuarial gains was realised on the employee benefit provision although a actuarial loss was budgeted for.

#### 57.13 Reserves

A contribution of R 55mil to the Capital Replacement reserve was budgeted for. The actual contribution was R 3.6mil.

### Cash Flow Statement

#### 57.14 Government grants and conditional receipts

Underspending on housing projects. Revenue recognition can not be done if expenditure is not incurred.

#### 57.15 Interest received

The difference is the non-cash interest on debtors that was included in the budgeted amount.

#### 57.16 Finance charges

Budgeted for the full year interest on the new loan, but the draw down was only done at the end of the financial year.

#### 57.17 Transfers and grants

The variance is due to Tourism being budgeted under Transfers and Subsidies, but the nature of the expenditure was contracted services.

#### 57.18 Non-current Investment

The interest on the non-current investment was not budgeted for.

#### 57.19 Borrowings

In aggregate the total cash movement on borrowings is less than 10%.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 57. Budget differences (continued)

#### Differences between budget and actual amounts basis of preparation and presentation

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats.

The following items are affected by these classification differences:

#### Statement of Financial Position

Consumer debtors in budget statements consist of service charges (water, sewerage, electricity, refuse and housing rentals)

Other debtors in the budgeted statements consist of other debtors as disclosed in receivables from exchange transactions, receivables from non-exchange transactions, VAT receivable, prepayments and unpaid conditional grants.

The budget formats does not allow for various sundry debtor balances to be disclosed separately. For this reason, afore mentioned are all incorporated under other debtors.

Long Term Receivables in budget statements also includes the Non-Current Operating Lease Asset.

Included in Trade and other payables per budget statement are Payables from Exchange Transactions, Unspent Conditional Government Grants and Receipts and VAT payable (if applicable).

Employee benefits and Provisions (current and non-current) are disclosed separately in the financial statements while these figures are aggregated in the budget statements as provisions.

Long term liabilities, Finance lease obligation and Operating lease liabilities are disclosed separately in the financial statements. The budget formats does not provide for Finance and Operating lease liabilities. Finance and Operating lease liabilities are disclosed as part of Borrowings in the budget statements.

All other items are disclosed on a comparable basis.

#### Statement of Financial Performance

The statement of financial performance is comparable on a line by line basis except for the following items:

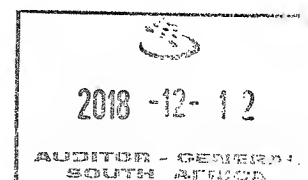
The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other own revenue in the budget statement. Other own revenue per budget statement consist out of the following line items: Public Contributions and donations, Third Party Payments, Sale of goods and rendering of services, rental of facilities and equipment, Agency services, Licences and permits, Fines, penalties and forfeits, profit / loss on disposal of assets inventory adjustments and Operational revenue.

Employee related cost and actuarial gains and losses are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Depreciation and amortisation, Impairment losses and fair value adjustments on Investment property are disclosed separately in the financial statements while these figures are aggregated in the budget statements.

Debt impairment and bad debt written off are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Inventory consumed and bulk purchases as separately disclosed in the statement of financial performance is presented as materials and bulk purchases in the budgeted statements.



# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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### 57. Budget differences (continued)

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for are incorporated under the line item Other Expenditure in the budget statements. Other Expenditure per budget statement consist of the following line items - Operational costs, Lease rentals on operating leases.

All other items are disclosed on a comparable basis.

#### Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis, except for the following item:

The movement in Consumer deposits are disclosed as part of the financing activities for budget purposes while it is disclosed as part of operating activities in the financial statements.

#### Changes from the approved budget to the final budget

##### Revenue

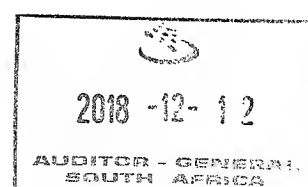
Total adjustments are mainly as a result of the following:

- The Property Rates budgeted for have been adjusted upwards mainly due to additional revenue discovered through the revenue enhancement as well as additional developments that have been completed.
- The Service Charges for electricity variance was mainly on Electricity KVA Demand-Bulk as well as Prepayment Meter Domestic. There is a reduction of consumption of kWh on these categories when comparing monthly consumption report for 2016/17 and 2017/18 outcome versus 2018/19 provision.
- The variance for water Service Charges relates to the availability charge due to the journal passed on properties destroyed by fires during June 2017 disaster, as well as additional provincial funds received for 3 various sewer projects.
- Other Service Charges variances and Other Revenue variances were due to realignment in terms of mSCOA. All funds were remapped and moved to Other Revenue.
- Rental of Facilities and Equipment had a downward adjustment as a result of under collection on municipal rental buildings.
- Adjustments were made to Fines, Penalties and Forfeits so that speeding fines to be in line with 2016/17 audited actuals as well as TMT fines issued during mid-year assessment review.
- Gains on Disposal of PPE budgeted for was reduced because no municipal asset sale was anticipated.

##### Expenditure

Total adjustments are mainly as a result of the following:

- Employee Related Costs were increased to cater for overtime expenditure and to provide for an actuarial loss non-cash item.
- Finance Costs were increased to cover mainly the non-cash items, such as interest on post retirement annuity fund and long service awards.
- Transfer and grants were increased due to housing top structures that is operational in nature.
- Adjustments to Debt Impairment were mainly for speeding fines to be in line with 2016/17 audited actuals as well as TMT fines issued during mid-year assessment review.
- Other materials were increase due to mSCOA realignment of inventory consumed.
- Contracted Services were realigned from the old reporting structure to the new mSCOA structure.
- Transfers and Subsidies were increased due to a tourism grant initially recognised as Other Expenditure and reallocated to Transfers and Subsidies, as well as Councillors ward allocation which is operating in nature (mainly donations) but was first budgeted under Capital.
- Other Expenditure was reduced due to realignment of Contracted Services between old reporting structure to new mSCOA structure, as well as under performance of the building contractors of Ethembeni, Qolweni and Happy Valley Human Settlement Grant project as a result of appeal during SCM process.





# Knysna Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

	2018 R	2017 R
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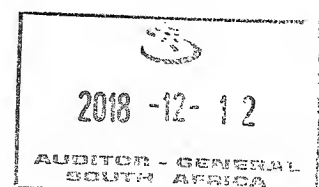
### 57. Budget differences (continued)

#### Capital budget

Total adjustments are mainly as a result of the following:

Capital budget has decreased from R 175 million to R106.6 million mainly due to the following:

- Additional funds were required for Financial Services for a datacentre server and WAN backbone upgrade
- The Community Services variance was due to spending on Khayaletu Library, solid waste truck and the taxi rank ablution facility project.
- Electrical Services under performance was mainly as a result of non-spending of borrowings taken up for the Charlesford P/Scheme, upgrading of the water reticulation at The Heads. Charlesford was funded through multiple different funding sources, of which a big portion was a MIG grant which is fully spent.
- Executive and Council was reduced as most of councillors' ward projects were operating in nature and funds were moved to the Operating Budget.
- Road Transport was reduced due to late commencement of all wards surfacing gravel road projects. These projects will run over 2 year-period and funds are rolled over to 2018/19 budget.
- Capital Transfers Recognised were increased mainly as a result of a Human Settlement Grant.



**APPENDIX A - Unaudited  
KNYSNA MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018**

EXTERNAL LOANS	Rate	Loan Number	Original Loan Amount	Redeemable	Balance at 30 JUNE 2017	Received during the period	Accrued interest	Redeemed during the period	Balance at 30 JUNE 2018
<b>LOCAL REGISTERED STOCK</b>									
Tswane City Council	16.45%		710,520	31/12/2018	710,520	-	-	-	710,520
<b>Total Long-term Loans</b>			<b>710,520</b>		<b>710,520</b>				<b>710,520</b>
<b>ANNUITY LOANS</b>									
ABSA	11.69%	Krynsa Municipality 1	15,000,000	30/06/2028	12,081,290	-	3,000	(571,798)	11,509,492
ABSA	10.99%	Krynsa Municipality 2	7,010,000	30/09/2028	5,728,693	-	6,893	(265,897)	5,463,903
ABSA	10.42%	Krynsa Municipality 3	7,000,000	01/10/2028	5,893,437	-	7,365	(263,524)	5,622,549
ABSA	9.84%	Krynsa Municipality 4	19,579,000	30/06/2029	15,773,159	-	-	(725,448)	15,047,711
ABSA	9.97%	Krynsa Municipality 5	1,720,000	31/01/2022	1,720,000	-	11,494	(280,519)	1,439,480
ABSA	10.33%	Krynsa Municipality 6	9,690,000	29/01/2027	10,090,936	-	25,064	(590,413)	9,475,458
DBSA	9.85%	13770/101	11,339,900	30/06/2021	2,387,326	-	-	(596,832)	1,790,495
DBSA	10.22%	13953/101	5,077,667	30/06/2022	1,336,228	-	-	(267,246)	1,069,982
DBSA	10.30%	10025/1	6,898,760	30/06/2023	2,178,556	-	-	(363,093)	1,815,463
DBSA	9.85%	10093/1	8,594,807	30/06/2024	3,166,508	-	-	(452,358)	2,714,150
DBSA	9.85%	10093/2	1,911,374	30/06/2019	273,053	-	-	(136,527)	136,527
DBSA	8.95%	10143/1	9,380,257	31/12/2025	4,196,431	-	-	(493,698)	3,702,733
DBSA	8.95%	10143/2	1,500,330	31/12/2020	375,083	-	-	(107,166)	267,916
DBSA	8.70%	10232/1	5,366,431	30/06/2026	3,023,352	-	-	(335,928)	2,687,424
DBSA	8.74%	10232/2	1,741,830	30/06/2021	488,518	-	-	(122,129)	366,388
DBSA	10.30%	61006807	8,000,000	29/06/2021	3,200,000	-	-	(900,000)	2,400,000
DBSA	10.35%	61005832	8,245,000	31/12/2026	6,417,989	-	(5,935)	(418,959)	6,005,985
<b>INCA</b>	7.93%	KNYS-00-0003	18,607,000	15/02/2027	13,771,061	-	-	(826,241)	12,944,819
<b>Nedbank</b>	10.05%	05/7831030611/02	14,960,000	17/06/2020	5,675,631	-	-	(884,405)	4,791,226
<b>Nedbank</b>	10.53%	05/7831030611/03	12,107,000	31/07/2029	11,145,701	-	-	(462,402)	10,683,299
<b>Nedbank</b>	10.11%	05/7831030611/04	2,050,000	31/07/2024	1,709,901	-	-	(161,895)	1,548,006
<b>Nedbank</b>	8.93%	7831030611/05	5,000,000	30/06/2023	-	5,000,000	-	-	5,000,000
<b>Nedbank</b>	9.21%	7831030611/06	20,424,087	30/06/2028	-	20,424,087	-	-	20,424,087
<b>Standard Bank</b>	10.26%	28/166959/6	10,000,000	30/09/2020	4,673,034	-	-	(1,172,802)	3,500,232
<b>Standard Bank</b>	10.48%	61143460 (5)	2,500,000	23/05/2018	412,063	-	-	(412,063)	-
<b>Standard Bank</b>	10.59%	61143448 (6)	5,884,000	20/03/2019	1,751,712	-	-	(830,705)	921,006
<b>Standard Bank</b>	10.73%	82563586	2,020,000	29/12/2021	2,020,000	-	-	(404,000)	1,616,000
<b>Standard Bank</b>	11.02%	82563438	8,760,950	29/12/2026	8,760,950	-	-	(876,095)	7,884,855
<b>Standard Bank</b>	11.30%	82563516	14,392,000	29/12/2031	14,392,000	-	-	(959,467)	13,432,533
<b>Total Annuity Loans</b>			<b>244,870,233</b>		<b>142,713,083</b>	<b>25,424,087</b>	<b>46,881</b>	<b>(13,781,530)</b>	<b>154,308,759</b>
<b>LEASE LIABILITY</b>									
Finance Leases					249,019	2,313,297	-	625,647	1,936,669
<b>Total Lease Liabilities</b>					<b>249,019</b>	<b>2,313,297</b>	<b>-</b>	<b>625,647</b>	<b>1,936,669</b>
<b>TOTAL EXTERNAL LOANS</b>					<b>143,672,620</b>	<b>27,737,384</b>	<b>46,881</b>	<b>(13,155,883)</b>	<b>168,955,949</b>

2018 -12- 12  
AUDITOR - GENERAL  
SOUTH AFRICA

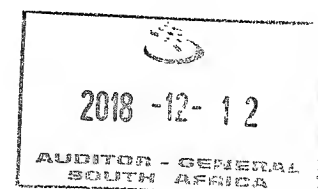
**APPENDIX B - Unaudited**  
**KNYSNA MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 JUNE 2017	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Refunded	Refunded (Equitable share reduced)	Balance 30 JUNE 2018
	R	R	R	R	R	R	R
<b>UNSPENT/(UNPAID) CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>							
Opening Balance							
Nat Grant - Equitable Share	-	70,834,564	(70,834,564)	-	-	-	-
Nat Grant - Integrated Electrification Program	-	-	-	-	-	-	-
Nat Grant - Local Government Finance Management Grant	283,670	3,000,000	(381,711)	(2,618,289)	-	-283,670	-
Nat Grant - Municipal Infrastructure Grant	-	1,550,000	(1,550,000)	-	-	-	-
Nat Grant - Expanded Public Works Program (EPWP)	-	25,408,000	(3,632,723)	(21,775,277)	-	-	-
Nat Grant - Neighbourhood Development Partnership Grant (NDPG)	-	1,415,000	(1,415,000)	-	-	-	-
Nat Grant - Community Development Worker (Operat)	45,894	8,909,000	-	(8,872,337)	-	-45,894	36,663
Prov Grant - Library	-	56,000	(56,000)	-	-	-	-
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	1,966,684	11,979,000	(7,699,333)	(1,860,609)	-	-	4,385,141
Prov Grant - Management Support Grant	(17,338,737)	47,023,615	(18,215,104)	(26,451,573)	-	-	(14,981,800)
Prov Grant - Financial Management Grant (WC FMG)	-	2,280,000	(2,280,000)	-	-	-	-
Prov Grant - Main Roads Subsidy	185,750	240,000	(50,869)	-	-	-	374,881
Prov Grant - Fire services	(25,168)	-	25,168	-	-	-	-
Prov Grant - Other	1,200,000	-	-	(1,200,000)	-	-	-
	-	3,600,000	-	(2,041,602)	-	-	1,558,398
<b>Total</b>	<b>-13,681,908</b>	<b>176,295,179</b>	<b>(106,090,736)</b>	<b>(64,819,687)</b>	<b>-</b>	<b>(329,564)</b>	<b>(8,626,716)</b>

2018-12-12  
 AUDITOR - GENERAL  
 SOUTH AFRICA

**Appendix C - Unaudited  
Knysna Municipality  
National Treasury Appropriation Statements for the year ended 30 June 2018  
Revenue and Expenditure (Standard Classification)**

Description	2017/2018							2016/2017
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R</b>								
<b>Revenue - Standard</b>								
<i>Governance and administration</i>	239,940,400	6,031,910	245,972,310	248,703,961	2,731,651	101%	104%	233,196,806
Executive and council	14,022,000	-488,830	13,533,170	13,277,085	-256,085	98%	95%	17,836,652
Finance and administration	225,918,400	6,520,740	232,439,140	235,426,876	2,987,736	101%	104%	207,447,955
Internal audit	-	-	-	-	-	-	-	7,912,199.00
<i>Community and public safety</i>	90,360,550	7,362,910	97,723,460	62,899,221	-34,824,239	64%	70%	170,584,197
Community and social services	14,065,550	-1,767,610	12,297,940	12,076,037	-221,902	98%	86%	9,388,253
Sport and recreation	1,924,000	-220,710	1,703,290	1,122,620	-580,670	66%	58%	1,241,663
Public safety	127,000	1,272,740	1,399,740	2,462,201	1,062,461	176%	1939%	105,650,406
Housing	74,244,000	8,078,490	82,322,490	47,238,362	-35,084,128	57%	64%	54,303,875
Health	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	111,094,027	8,416,283	119,510,310	99,413,280	-23,515,528	80%	86%	10,058,007
Planning and development	14,087,000	-276,800	13,810,200	6,151,966	-7,658,234	45%	44%	3,867,179
Road transport	97,007,027	8,693,083	105,700,110	93,261,314	-15,857,294	85%	93%	6,190,828
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	429,863,023	1,140,884	431,003,907	434,499,474	3,495,567	101%	101%	411,236,898
Energy sources	248,672,000	-8,031,360	240,640,640	240,935,404	294,764	100%	97%	251,458,775
Water management	110,015,205	4,532,915	114,548,120	118,711,989	4,163,869	104%	108%	95,011,248
Waste water management	33,475,818	3,823,149	37,298,967	36,335,917	-963,050	97%	109%	31,726,542
Waste management	37,700,000	816,180	38,516,180	38,516,164	-16	100%	102%	33,040,333
<i>Other</i>	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	<b>871,258,000</b>	<b>22,951,987</b>	<b>894,209,987</b>	<b>845,515,935</b>	<b>-52,112,550</b>	<b>94%</b>	<b>97%</b>	<b>825,075,908</b>
<b>Expenditure - Standard</b>								
<i>Governance and administration</i>	185,831,442	-1,937,178	183,894,263	140,616,600	-43,277,663	76%	-23%	154,042,206
Executive and council	49,495,106	5,865,868	55,360,973	30,870,203	-24,490,771	56%	-49%	46,791,314
Finance and administration	130,836,586	-4,197,166	126,639,420	105,846,384	-20,793,036	84%	-16%	36,541,008
Internal audit	5,499,750	-3,605,880	1,893,870	3,900,013	2,006,143.00	206.00	36.00	70,709,884
<i>Community and public safety</i>	135,853,509	-28,561,639	107,291,870	109,096,640	1,804,770	102%	1%	222,098,103
Community and social services	27,037,863	-3,794,583	23,243,280	23,009,638	-233,642	99%	-1%	19,045,126
Sport and recreation	17,294,687	-2,029,677	15,265,010	15,073,416	-191,594	99%	-1%	15,884,989
Public safety	16,702,424	2,169,156	18,871,580	31,501,434	12,629,854	167%	76%	127,133,411
Housing	68,084,946	-22,616,646	45,468,300	39,465,296	-6,003,004	87%	-9%	55,137,931
Health	6,733,589	-2,289,889	4,443,700	46,856	-4,396,844	1%	-65.00	4,896,646
<i>Economic and environmental services</i>	156,260,490	14,974,020	171,234,510	175,316,155	2,227,814	101%	1%	61,216,061
Planning and development	18,490,300	-2,337,430	16,152,870	27,795,722	11,642,852	172%	63%	13,869,349
Road transport	135,081,653	16,295,317	151,376,970	143,785,174	-9,445,627	94%	-7%	45,868,345
Environmental protection	2,688,537	1,016,133	3,704,670	3,735,259	30,589	101%	1%	1,478,367
<i>Trading services</i>	330,034,977	4,714,473	334,749,450	351,243,678	16,494,228	105%	5%	332,657,936
Energy sources	130,777,701	-6,233,671	124,544,030	175,009,650	465,620	100%	0%	174,967,768
Water management	70,359,434	4,075,016	74,434,450	83,044,650	8,610,200	112%	12%	80,453,930
Waste water management	44,518,095	-1,379,425	43,138,670	47,081,486	3,942,816	109%	9%	41,085,297
Waste management	34,379,748	8,252,552	42,632,300	46,107,891	3,475,591	108%	10%	36,150,941
<i>Other</i>	4,000,000	-4,000,000	-	-	-	-	0%	-
<b>Total Expenditure - Standard</b>	<b>811,980,417</b>	<b>-14,810,324</b>	<b>797,170,093</b>	<b>776,273,073</b>	<b>-22,750,852</b>	<b>97%</b>	<b>-3%</b>	<b>770,014,306</b>
<b>Surplus for the year</b>	<b>59,277,583</b>	<b>37,762,310</b>	<b>97,039,893</b>	<b>69,242,862</b>	<b>-29,361,698</b>	<b>70%</b>	<b>-50%</b>	<b>55,061,602</b>



**Appendix C - Unaudited**  
**Knysna Municipality**  
**National Treasury Appropriation Statements for the year ended 30 June 2018**  
**Revenue and Expenditure (Municipal Vote Classification)**

Description	2017/2018							2016/2017
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R</b>								
<b>Revenue by Vote</b>								
Vote 1 - Executive and Council	13,966,000	-488,830	13,477,170	13,277,085	-200,085	99%	95%	17,836,652
Vote 2 - Corporate Services	4,199,000	-1,281,660	2,917,340	2,940,409	23,069	101%	70%	3,480,972
Vote 3 - Financial Services	217,742,000	7,449,050	225,191,050	223,594,102	-1,597,748	99%	103%	207,714,746
Vote 4 - Strategic Services	-	-	-	-	-	-	-	-
Vote 5 - Planning and Development	88,331,000	7,801,690	96,132,690	61,011,905	-35,120,785	63%	69%	61,125,159
Vote 6 - Community Services	152,999,550	10,012,370	163,011,920	147,105,365	-19,325,053	88%	94%	154,591,356
Vote 7 - Electrical Services	248,672,000	-8,031,360	240,640,640	240,935,404	294,764	100%	97%	251,537,125
Vote 8 - Technical Services	145,348,450	7,489,927	152,838,377	156,651,685	3,813,288	102%	108%	128,789,898
<b>Total Revenue by Vote</b>	<b>871,258,000</b>	<b>22,951,987</b>	<b>894,209,987</b>	<b>845,515,935</b>	<b>-52,112,550</b>	<b>94%</b>	<b>97%</b>	<b>825,075,908</b>
<b>Expenditure by Vote to be appropriated</b>								
Vote 1 - Executive and Council	42,054,645	12,353,048	54,407,693	37,679,321	-16,728,373	69%	90%	46,791,314
Vote 2 - Corporate Services	30,041,068	395,942	30,437,010	30,836,342	399,332	101%	103%	32,744,880
Vote 3 - Financial Services	61,358,496	4,954,664	66,313,160	58,244,109	-8,069,051	88%	95%	50,050,886
Vote 4 - Strategic Services	-	-	-	-	-	-	-	0
Vote 5 - Planning and Development	100,019,769	-37,789,969	62,229,800	61,615,706	-614,094	99%	62%	67,055,019
Vote 6 - Community Services	193,480,868	25,365,442	218,846,310	214,184,903	-6,515,238	97%	110%	213,537,672
Vote 7 - Electrical Services	185,938,296	-7,908,626	178,029,670	178,349,548	319,878	100%	96%	183,616,296
Vote 8 - Technical Services	199,087,275	-12,180,825	186,906,450	195,363,144	8,456,694	105%	98%	176,218,239
<b>Total Expenditure by Vote</b>	<b>811,980,417</b>	<b>-14,810,324</b>	<b>797,170,093</b>	<b>776,273,073</b>	<b>-22,750,852</b>	<b>97%</b>	<b>95%</b>	<b>770,014,306</b>
<b>Surplus for the year</b>	<b>59,277,583</b>	<b>37,762,310</b>	<b>97,039,893</b>	<b>69,242,862</b>	<b>-29,361,698</b>	<b>70%</b>	<b>114%</b>	<b>55,061,602</b>

2018-12-12  
AUDITOR - GENERAL  
SOUTH AFRICA

**Appendix C - Unaudited  
Knysna Municipality  
National Treasury Appropriation Statements for the year ended 30 June 2018  
Revenue and Expenditure**

Description	2017/2018							2016/2017
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget after virements	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R</b>								
<b>Revenue By Source</b>								
Property rates	200,734,000	4,335,400	205,069,400	203,443,082	-1,626,318	99%	101%	187,779,689
Service charges	344,605,000	-13,734,500	330,870,500	335,108,770	4,143,004	101%	97%	321,981,063
Rental of facilities and equipment	6,328,000	-1,807,020	4,520,980	4,510,121	-10,859	100%	71%	5,290,371
Interest earned - external investments	9,700,000	601,790	10,301,790	10,301,782	-8	100%	106%	11,105,041
Interest earned - outstanding debtors	3,540,500	11,175,990	14,716,490	10,544,572	-4,171,918	72%	298%	8,027,832
Dividends received	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	98,429,000	5,014,800	103,443,800	92,713,639	-14,156,899	86%	91%	108,964,792
Licences and permits	1,482,000	189,750	1,671,750	1,671,680	-71	100%	113%	1,755,616
Agency services	2,763,000	332,520	3,095,520	3,095,516	-4	100%	112%	2,738,923
Transfers recognised - operational	140,596,120	-1,373,513	139,222,607	106,115,903	-33,106,704	76%	75%	102,439,751
Other revenue	4,479,000	8,210,230	12,689,230	11,503,783	-1,185,447	91%	257%	14,926,556
Gains on disposal of PPE	500,000	-500,000	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>813,156,620</b>	<b>12,445,447</b>	<b>825,602,067</b>	<b>779,008,847</b>	<b>-50,019,958</b>	<b>94%</b>	<b>95%</b>	<b>765,009,644</b>
<b>Expenditure By Type</b>								
Employee related costs	220,119,467	12,331,447	232,450,913	216,306,206	-16,144,707	98%	98%	206,770,538
Remuneration of councillors	8,301,500	187,540	8,489,040	8,468,978	-62	102%	102%	7,674,276
Debt impairment	82,993,000	27,840,000	110,833,000	109,994,826	-2,494,900	131%	131%	113,758,397
Depreciation & asset impairment	30,898,600	300,800	31,199,400	29,762,292	-1,437,108	96%	96%	31,579,303
Finance charges	19,502,000	4,203,870	23,705,870	25,556,649	1,850,779	131%	131%	22,593,713
Bulk purchases	157,625,000	-701,580	156,923,420	156,923,413	-7,00	100%	100%	159,756,501
Other materials	31,745,636	13,120,624	44,866,260	48,742,499	3,876,239	154%	154%	31,735,254
Contracted services	29,675,962	92,487,378	122,163,340	121,658,320	-505,020	410%	410%	152,024,325
Transfers and subsidies	2,280,000	5,995,370	8,275,370	4,722,784	-3,552,586	207%	207%	3,731,594
Other expenditure	228,839,072	-170,555,592	58,283,480	52,449,705	-5,833,775	23%	23%	39,851,228
Loss on disposal of PPE	-	-	-	-	-	-	-	424,526
<b>Total Expenditure</b>	<b>811,980,237</b>	<b>-14,810,143</b>	<b>797,170,093</b>	<b>774,585,672</b>	<b>-24,241,147</b>	<b>95%</b>	<b>95%</b>	<b>769,899,655</b>
<b>Surplus/(Deficit)</b>	<b>1,176,383</b>	<b>27,255,590</b>	<b>28,431,973</b>	<b>4,423,175</b>	<b>-24,008,799</b>	<b>9%</b>	<b>226%</b>	<b>-4,890,011</b>
Transfers recognised - capital	58,100,880	10,507,040	68,607,920	64,819,687	-3,788,233	94.5%	111.6%	59,951,613
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-
<b>Surplus for the year</b>	<b>59,277,263</b>	<b>37,762,630</b>	<b>97,039,893</b>	<b>69,242,862</b>	<b>-27,797,031</b>	<b>71.4%</b>	<b>116.8%</b>	<b>55,061,602</b>

